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Asia	Sch 15	Indonesia	Rp 2500	Peru	S/ 55
Bahamas	Bm 1.00	Japan	¥ 1100	S. Arabia	Rb 6.00
Belize	Bz 2.00	South Korea	₩ 400	Singapore	S\$ 4.10
Bolivia	Bs 1.50	Taiwan	Nt 100	Spain	Pes 55
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Chile	Ch\$ 100	U.S.A.	\$ 1.00	Taiwan	Nt 100
Colombia	Cop 100	U.K.	£ 1.00	U.S.A.	\$ 1.00
Czechoslovakia	Cs 100	West Germany	DM 1.00	U.S.A.	\$ 1.00
Denmark	Dkr 100	Yugoslavia	Din 100	U.S.A.	\$ 1.00
Egypt	E£ 100				
Finland	Fmk 100				
France	Ffr 100				
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Greece	Dr 100				
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Philippines	P 100				
Poland	Zl 100				
Portugal	Esc 100				
Romania	Lei 100				
Saudi Arabia	Rb 100				
South Africa	Rand 1.00				
South Korea	₩ 100				
Spain	Pes 100				
Sweden	Skr 100				
Switzerland	Sfr 100				
Taiwan	Nt 100				
Thailand	฿ 100				
Turkey	Lira 100				
U.S.A.	\$ 1.00				
U.K.	£ 1.00				
Yugoslavia	Din 100				

NEWS SUMMARY

European 'Built-in deficit' to double' in U.S.

West German Chancellor Helmut Kohl strongly defended NATO's imminent deployment of missiles in Western Europe, and accused the Soviet Union of seeking to gain a nuclear advantage in Europe.

He was speaking to a congress of his Christian Democrat party, and firmly underlined West Germany's commitment to the missile plan and its alliance with the United States - despite German misgivings over the invasion of Grenada.

U.S. Deputy Secretary of State Kenneth Dam was in Bonn on his "fence-mending" mission, and British Premier Margaret Thatcher was due last night for talks with Chancellor Kohl.

Tokyo concession

Japan made a major concession on the eve of U.S. President Ronald Reagan's visit to Tokyo by agreeing to establish a joint military technology commission to co-ordinate transfer to the U.S. of its own defence technology. Page 3

Zimbabwe ruling

Zimbabwe High Court ruled that continued detention of Zepu politician Dumbo Dabengwa was illegal and ordered his immediate release.

Mr Philomen Muzorewa, son of detained former Premier Bishop Abel Muzorewa, was released after spending a day in custody. He said special agents threatened and assaulted him. Page 3

New envoy to China

Britain named its most senior China expert at the Foreign Office, Mr Richard Evans, 57, as ambassador to China. He takes over at the end of the year from Sir Percy Cradock, who is to become Prime Minister Margaret Thatcher's foreign adviser with responsibility for Hong Kong.

Bomb in Congress

A bomb exploded in the U.S. Congress building, causing some damage but no casualties. A group opposed to intervention in Lebanon and Grenada claimed responsibility.

Iran appeal to UN

Iran has accused Iraq of repeatedly using chemical weapons in the Gulf war, and has asked the United Nations to investigate.

Nuclear crash test

Britain's Central Electricity Generating Board is having a full-scale train crash staged next year to test the accident-resistance of containers used to carry radio-active spent nuclear fuel. Page 8

Liège earthquake

An early morning earthquake in Liège, Belgium, killed two people and caused widespread damage. Police were called out to stop attempts at looting through broken shop windows.

Uruguay accused

Human rights organisation Amnesty International accused Uruguay's military rulers of torturing prisoners held for non-violent political and trade union activities.

Sex law ruling

European Court of Justice in Luxembourg ruled Britain to do more to outlaw sexual discrimination, but upheld the right to ban men from working as midwives. Page 2

Briefly...

Cardinal Umberto Monzoni, Argentine-born Vatican expert on Latin America, died, aged 70.

Washington prepared to strengthen Israeli ties in anti-Syrian move

Arafat may agree to abandon Tripoli

BY PATRICK COCKBURN IN BEIRUT

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation (PLO), whose forces have been battling rebel Palestinian units backed by Syria yesterday indicated that he might be prepared to evacuate the city of Tripoli in northern Lebanon.

Mr Arafat told local Moslem leaders that he wanted to spare Tripoli's half-million population the street fighting that would be inevitable if he continued to resist the rebel offensive. It is not clear if this means that Mr Arafat is prepared to lay down his arms or on what condition he proposes to end the fighting.

The Lebanese Christian Phalange radio reported last night that Mr Arafat had left Tripoli by helicopter and had landed on a French warship. The French, however, denied the report.

In the past six days' fighting, it has become clear that the Palestinian fighters opposed to Mr Arafat, and supported by Syrian artillery, have definite military superiority. PLO guerrillas loyal to Mr Arafat have been pressed steadily backwards. They have lost control of parts of Baddawi Palestinian refugee camp, but could give a good account of themselves if they fought on in Tripoli.

In a bid to defuse the crisis over the fate of Mr Arafat a three-man delegation from the Gulf Cooperation Council which is meeting in Qatar arrived yesterday in Damascus to see the Syrian leaders.

They have asked to meet representatives of the pro and anti-Arafat factions within the PLO, but there are few signs that Syrian President Hafez al-Assad is willing to relent in his campaign against Mr Arafat.

Relations, meanwhile, between Israel and the 700,000 Lebanese in the south of the country have deteriorated rapidly as a result of stringent security measures introduced after last Friday's suicide bomb at Tyre which killed 29 Israelis and 22 Lebanese. A general strike closed most business and schools in the area yesterday.

The protest was against travel restrictions enforced along the Awali River which marks the Israeli front line. At the main crossing

point just north of the coastal city of Sidon over 1,000 people queued as Christian militiamen working for the Israelis searched civilians.

Those turned back included Lebanese army trucks and gendarmes as well as fuel tankers and commercial vehicles. Given the economic and family links between Beirut and South Lebanon, the new rules, aimed at preventing fresh attacks, are likely to be enforced only at heavy political cost to the Israelis.

In the Lebanese capital itself, tension eased yesterday after Monday's fighting around U.S. marine positions which closed the international airport.

Stewart Fleming writes from Washington: The U.S. is proposing to strengthen its ties with Israel because of mutual concerns about the intransigent stance which Syria is adopting towards efforts to find a political solution to the problems in Lebanon.

Among the steps being considered, according to U.S. officials, are moves to shift more of the \$2.5bn a year of U.S. aid to Israel from loans to grants and to approve the use of U.S. military aid to carry out research and development on Israel's new fighter aircraft, the Lavie.

The visit of Mr Yitzhak Shamir to Washington, expected later this month, is expected to provide a forum for further high-level talks on the Arab mission in Damascus, Oil threat, Page 3

French groups facing threat of bankruptcy

BY DAVID MARSH IN PARIS

THE FATE of two French engineering groups, Creusot-Loire and Manurhin, hung in the balance last night as shareholders, banks and the Government haggled over the final details of financial rescue packages.

A breakthrough seemed to have taken place last month with the clinching of a deal involving a total FF 6bn (\$797m) in cash injections for Creusot-Loire over three to four years and the divestment of steel activities to the state steel groups Saeclor and Usinor.

The possibility of the company filing for bankruptcy has again been raised in recent days. This follows disputes with nationalised banks over the interest rate on FF 1bn subordinated loans being granted to the company.

The Schneider parent company is also unhappy over the financial support it is having to give to increase Creusot-Loire's capital and help guarantee the bank loans.

Schneider is being forced to make asset sales to finance its part in the rescue. This could involve the dismemberment of some of the profitable parts of the Empain Schneider empire, which includes Spie-Batignolles in construction and Merlin Gerin and Jeumont-Schneider in electronics and electrical engineering.

Financial discussions are continuing on the steel divestments, especially involving the sale of the special steels unit Imphy to Saeclor.

The Manurhin case, involving one of the prestigious precision engineering companies in the Alsace region of eastern France, has cost Matra considerable amounts of cash in emergency support.

Matra, which owns 34 per cent of the company, made clear last month that it would take majority control to steer it through its troubles.

M. Antoine Vell, Manurhin's chairman, said last night the company would file for bankruptcy unless unanimous agreement was reached among its banks on a FF 550m debt restructuring. He named the government-owned foreign trade financing bank, the Banque Française du Commerce Extérieur, as the sole institution holding up the accord.

Manurhin lost FF 740m last year and FF 100m in the first half of this year. It has announced that it is to cut its 5,200 workforce by more than 800.

Creusot-Loire has indicated it is heading for a loss of well over FF 1bn this year after a first-half deficit of FF 538m. Job cuts of more than 4,000 in its 30,000 workforce are programmed and could rise further if there are further delays in agreeing the financial package.

Cockrell-Sambre expects to cut loss, Page 15

The Bonn and Saarland governments will now provide DM 50m (\$18.8m) to meet the company's payment schedules on November 10 and a further DM 36m when the arbitration judgment enters into force. For 1984, an additional DM 100m will be made available.

However, Count Lambsdorff has made the aid contingent on the company fulfilling a promise to leave the industry-wide pay bargaining structure and freeze wages for next year.

Last week, the company's creditor banks led by Commerzbank offered debt relief over five years which is worth some DM 425m but conditional on public aid and sacrifices by the 17,200-strong workforce. The company's scarcely less troubled parent, the state-owned Arbed of Luxembourg, is not taking part in the rescue.

The arbitration commission of workers and management met for 12 hours last night before issuing the binding judgment, over the votes of the workers' representatives, that the 5,000 workers to be retired early should take a cut in redundancy payments.

The judgment was in time for Bonn's deadline of noon yesterday. If this had not been met, Count Lambsdorff said, the Cabinet would have decided "the end of Saarstahl".

Steelworkers at Voelklingen yesterday were bitter at being forced to make sacrifices after agreeing to a delay in bonus payments last year in an almost identical rescue for the company, which then had debts of DM 2.8bn on turnover of DM 2.1bn.

Officials of the IG Metall union, the largest in Germany, claim that the Government had set a precedent outside collective bargaining which it would apply to other companies in the steel and other crisis sectors. However, Count Lambsdorff said that Arbed Saarstahl was a special case.

Continued on Page 14

Pepper market's hot spell may double retail prices

BY JOHN EDWARDS, COMMODITIES EDITOR IN LONDON

THESE ARE hot times in the pepper market. The past two months have seen the greatest explosion in prices for over 25 years and as a result the retail cost of pepper is expected to double.

The shipment price of white pepper from Sarawak, a state in the Federation of Malaysia, has soared from \$1,750 a tonne in mid-September to \$3,200 yesterday when the market was said to be pausing for breath. The rise in black pepper has been less dramatic, but has increased from \$1,325 a tonne two months ago to a current price of \$1,850.

A big crop shortfall in Brazil, one of the world's leading pepper producers, is said to be the main reason for the price surge.

Information coming from the Amazon region of Brazil, where much of the pepper is grown, is sparse, but it is estimated that Brazilian production this year may total only 18,000 tonnes against 40,000 tonnes in 1982. At the same time production from other countries is also faltering. Output from Indonesia and Sarawak is reported to be down, whilst India - the biggest single producer of black pepper - has also cut exports.

Dealers say that the Brazilian shortfall, coming on top of declines in other countries has apparently convinced consumers there is going to be a shortage of supplies this year and unleashed an "incredible" wave of buying. At the same time European speculators are reported to have jumped on the bandwagon and helped force prices even higher.

The rush to buy has been encouraged by the fact that consumer stocks both in Europe and the United States have been reduced to historically low levels at a time when seasonal demand for pepper normally reaches a peak.

Although pepper is best known for its use as a condiment the bulk of consumption (around 70 per cent) comes from the manufacturing sector of the food industry.

It provides flavour to sausages, pies and other meat products. But more importantly pepper acts as a preservative delaying the putrefaction of meat. The growth in convenience foods is providing an expanding market for pepper and many other spices.

Black pepper is cheaper because it is picked off the vines when not fully ripe and dried off in the sun. White pepper is left on the vine until it is over-ripe and then soaked in water to remove the outer husk. White pepper is preferred especially in continental Europe, which is why its price has surged higher than black pepper.

Last year the four leading producers of pepper - India, Indonesia, Malaysia and Brazil - produced a total of 130,000 tonnes of pepper, of which 118,000 tonnes were exported. At current prices it is a valuable cash crop.

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Contact Douglas Smith, Industrial Adviser, Civic Offices, Swindon. Tel. (0793) 26161 or Telex: 444449.

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EUROPEAN NEWS

Way clear for Ozal to take over in Turkey

BY OUR ANKARA CORRESPONDENT



Mr Ozal: cabinet list

PRESIDENT Kenan Evren and Mr Turgut Ozal, the victor in the Turkish general election, appeared in public together for the first time yesterday, indicating that the way is clear for Mr Ozal to become Prime Minister.

His Motherland Party has a working majority of 11 in Parliament, but President Evren's prolonged silence after Mr Ozal's victory led to speculation that the military might not be happy to see him take over.

Although the summons to form a cabinet has not yet been made, Mr Ozal is now believed to be working on a list of ministers. These are expected to include champions of the private sector—such as Mr

Yildirim Akturk, until last month head of the State Planning Organisation—whom Mr Ozal installed in key points of the bureaucracy when he was Economy Minister.

No. 6 — 84ppt. — Turkey's ambassador to London, Mr Rahmi Gururcuoglu, is being tipped here as a likely choice for Foreign Minister.

Another probable cabinet member is Mr Kaya Erdem who, as Finance Minister, presided over two financial crises in 1982. He is a long-standing supporter of Mr Ozal, who went out of his way to include him in his pre-election propaganda, even though he is a far from popular figure in the country.

Meanwhile, however, life in Turkey continues unchanged by Mr Ozal's success. In most general elections, minor officials and high civil servants in Turkey await with anticipation or trepidation a shuffle of appointments by the victorious party.

So far there are no signs of this, partly because the military remains very firmly in the saddle but also because Mr Ozal's party is an unknown quantity.

However, Mr Ozal is likely to put his own men in charge of the main civilian ministries and government agencies, while trying at the same time to placate supporters of Mr Suleyman

Pay index dispute threatens in Italy

By James Buxton in Rome

A SERIOUS clash over the scale mobile wage indexation system is looming between Italian employers on the one hand and the Government and the unions on the other.

At immediate issue is whether the employers should pay wage increases in line with an extra point added to the scale mobile (sliding scale) index as a result of fractions of points accumulated in the past year.

Behind it, however, lies the whole question of the further revision of the scale mobile, and that of an agreed incomes policy, which is widely considered necessary to reduce Italy's inflation rate, still running at more than 13 per cent.

The dispute over the fractions could become a trial of strength between Confindustria, the private employers' association, and the unions, who in this case are backed by the Government. It hinges on the interpretation of last January's agreement which reduced the protection against inflation offered by the scale mobile.

The agreement was ambiguous on whether fractions of index points should be lost, as Confindustria sustains, or accumulated until they amount to a whole point, as the Government and unions claim.

The issue came to a head yesterday when Istat, the government statistics institute, announced that three index points had been accumulated in the past quarter, one of them due to accumulated fractions.

Confindustria leaders meet today to decide whether to pay for the extra point, which makes a difference of 14,600 (22.83) in the monthly wage of most Italian workers. If they refuse, the unions have threatened strikes.

Sig Bettino Craxi, the Prime Minister, has agreed to hold a review of the scale mobile with the unions and employers early next month. Though this will officially concern itself with the workings of the new system over the past year, some hope it will pave the way for a last October reduction in the amount of protection offered next year, perhaps by limiting the planned inflation rate for the year of 10 per cent to the number of index points for which large increases will be given.

The unions are divided, however. The Communist CGIL is opposed to any reduction in the real wage increases of workers. The UIL, which is affiliated to the Socialist Party, is more amenable to change.

SPECIAL COUNCIL IN ATHENS

Greek EEC minister prepares for four-day marathon

BY JOHN WYLES IN BRUSSELS

TOTAL IMMERSION in European Community affairs is not always regarded as a life-enhancing experience. The work pressures are intense, many of the issues very technical and the political discussion often numbingly tedious. Yet Mr Grigoris Varis appears to be drawing a certain strength and confidence from it all, despite presiding as chairman over several hundred hours of officials' meetings and Ministerial discussions since July.

The next four days, however, will be an Olympic test for the 54-year-old Greek Minister for EEC Affairs. Tomorrow, he has to combine the qualities of a magician and of a political sheepdog. The magician must conjure up the compromise proposals which will enable the sheepdog to lead a special EEC Council of Foreign, Finance and Agriculture Ministers towards agreements which are vitally needed to hold the Community together.

It is by Saturday the Ministerial meetings in the European Palace in Athens will be in full swing, then the Community will be facing a nasty and difficult crisis. Everything will then have to be resolved at the summit in the Greek capital early next month.

Objective political responsibility for such an important rest with all Community capitals, but frightened men will then be looking for scapegoats and some will no doubt seek to put blame on Mr Varis and the Greek presidency of the EEC's Council of Ministers.

He admits to feeling some strain. "It does put a lot of pressure on me," he said, peering intently out at a misty horizon from the 17th floor of a Brussels hotel. "I feel the responsibility. Certainly I am making mistakes through inexperience, but you must remember that Greece has had no past experience of the EEC Presidency."

Personally, Mr Varis has won a great deal of respect from other Community Ministers, although some of their officials have felt free to criticise. They say that as a civil servant who has never actually held elective office, Mr Varis is weakened by not being a member of the "club" which would put him on easy and equal terms with the likes of Sir Geoffrey Howe and Herr Hans Dietrich Genscher.

A chairman with greater political authority, it is said, might have registered more achievement in the negotiations than has so far been apparent. Mr Varis disputes this. "I am no technocrat and I do have to learn my files, as does any politician who wants to be effective," he says.

Looking back on the previous six days of special council meetings since July he says: "I realised early on that there was no real sense of urgency. Ministers were arriving with papers prepared by their officials and then just reading them out."

With the Athens summit still nearly a month away, Mr Varis acknowledges that some of his ministers may not even feel this week the political heat which generates a sense of urgency.

But brinkmanship merely multiplies the risks of failure. "There is no sense in making Mr Varis's fear of the consequences of little progress this week towards reforms of the Common Agricultural Policy, a solution to the British budget problem and agreement in principle to lift the current legal ceiling on the EEC's budget revenues."

If some of the ground is not prepared by Saturday and an abortive summit follows, "the consequences of failure will be enormous," Mr Varis says. "It will start with the European Parliament rejecting the 1984 EEC budget. This could mean the payment to the UK of the 545m of her 1983 budget payments. Britain might then stop paying into the Community budget and we shall have no money to support agriculture."

All of this, he says, will be quietly, spoken, contemplative, realising that the refining industry is in a distressed state and that it has now placed an intolerable burden on it.

The companies also viewed the decision as another sign of the declining force with which the Government appears to attach to the oil sector. The new long-term energy plan continues to heavily favour the nuclear sector, even though forecasts of French electricity demand have been scaled down dramatically.

Latest estimates by the refinery industry in France show a 15 per cent decline in capacity this year. It forecasts annual capacity at 118.4m tonnes in January next year or 16 per cent less than the figure in January 1983 which, in turn, was a 30 per cent drop from the January 1982 level.

Compounding the oil group's problems is the continuing discount war at petrol stations. Mr Edouard Leclerc and his large discount retailing chain started it by offering discounts below the government-permitted rate.

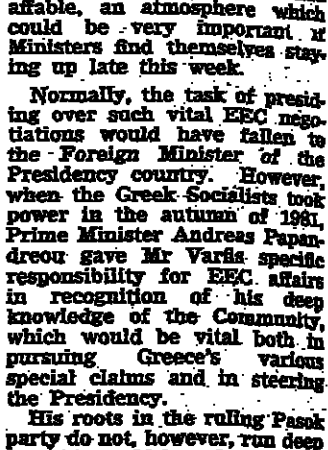
French which became Mr Varis's second language 30 years ago when he was a postgraduate student in Paris.

During negotiations he is said to be relatively imperturbable, betraying only slight flashes of irritation when the British permanent representative, Sir Michael Butler, is in repetitious full flood.

His mildness, he thinks, has done much to keep the Ministerial negotiations relaxed and amiable, an atmosphere which could be very important if Ministers find themselves staying up late this week.

Normally, the task of presiding over such vital EEC negotiations would have fallen to the Foreign Minister of the Presidency country. However, when the Greek Socialist took power in the autumn of 1981, Prime Minister Andreas Papandreu gave Mr Varis specific responsibility for EEC affairs in recognition of his deep knowledge of the Community, which would be vital both in pursuing Greece's various special claims and in steering the Presidency.

His role in the ruling Greek party do not, however, run deep and this could be a handicap if



Mr Varis: confidence and strength

the political waters turn rough in Athens. He began working for the party in 1978 having resigned two years previously as the top permanent official in what is now the Ministry for National Economy.

Faced with the opposition and Mr Varis's reasons for resigning—disagreement over the Greek negotiating strategy on EEC membership—commended him to Mr Papandreu whose basic ambivalence about Greece being in the Community is said to be as strong now as it was then.

Mr Varis, by contrast, is somewhat out of tune with his Prime Minister. His commitment to the EEC is beyond doubt. He speaks with genuine enthusiasm about the need to make the Community something that people can sympathise with and support. His ambition for the Athens summit is a vision of a document which can be summed up in two pages and which "will mean something to ordinary people."

Until now his public statements about the changes of agreement have seemed so over-optimistic that he earned the label of the "sunshine President." Recently, he has seemed to be far more cautious and to be worrying about "Mrs Thatcher's readiness to compromise, even if confronted by a basic consensus on the main issues by nine other governments."

But at this stage, Mrs Thatcher is by no means the only head of government to worry about. As one observer of Greek politics put it, "Varis knows that a successful summit in Athens will be chided up as a personal triumph for Andreas Papandreu" while responsibility for failure will certainly be placed elsewhere.

Biggest art theft in Hungary

By Leslie Collett in Berlin

THE HUNGARIAN authorities have appealed to the public to help them catch thieves who executed the biggest art theft in the country's history over the weekend. Seven Italian Renaissance paintings, including works by Raphael and Titian, were stolen from the Museum of Fine Arts in Budapest.

Mr Feher Zuzsa, a leading Hungarian, said on television that the paintings were of "incalculable value." Normal programmes were interrupted to announce the theft which Mr Zuzsa said represented to Hungary a loss equivalent to half France's paintings in the Louvre.

The most important painting stolen is Raphael's "Esther before Ahasuerus" which was painted in 1505 for 1.1m gold forints.

The second Raphael is the portrait of a young man which some believe to be a self-portrait.

The other missing paintings are Titian's portraits of a man and a woman, Tiepolo's "The Holy Family's Flight to Egypt" and "Madonna with Six Saints" as well as Palma di Vecchio's "Holy Family."

A museum spokesman said the pictures, which were cut from their frames, were so well-known internationally that it would be difficult to sell them.

The paintings were in a wing of the neo-classical Fine Arts Museum in central Budapest and formed part of a collection of 100 Italian Renaissance pictures.

The museum also has the largest collection of El Greco, Goya and other Spanish paintings outside the Prado in Madrid and the Hermitage in Leningrad.

Art thefts have been rare until recent years in Eastern Europe where museums and churches housing priceless paintings were often poorly secured.

A spectacular art theft in Potsdam a few years ago was carried out by thieves from the West who walked out of a museum in broad daylight with paintings worth millions of dollars.

The East German autobahn between West Berlin and West Germany and crossed into the West. They were caught when they tried to sell the paintings to a West German art dealer.

UN paves way for Cyprus peace talks

United Nations officials in Nicosia are to start preparing the way this week for a meeting between Mr Spyros Kyprianou, the Cypriot President, and Mr Raouf Denktash, the Turkish Cypriot leader, diplomats said yesterday.

Andriana Ierodakonou reports from Athens. The meeting is tentatively scheduled for January 1984.

Sr Javier Perez de Cuellar, UN Secretary-General, is seeking to arrange the talks in a bid to rescue his troubled Cyprus peace initiative. The Kyprianou Government has endorsed the initiative in principle.

Court rules against Britain on sex equality

BY PAUL CHEESBRIGHT IN BRUSSELS

THE BRITISH Government will have to tighten its laws against sex discrimination following a European Court of Justice judgment yesterday. The court found that Britain had not taken adequate steps to bring its legislation into line with an EEC directive on sex discrimination.

Britain is at fault, in the court's view, on collective agreements on regulations governing the internal affairs of companies, on the statutes of independent profes-

sions and in excluding the principle of sex equality from private homes or businesses where no more than five people are employed.

The court rejected a claim from the European Commission, however, that men wanting to train as what are habitually referred to as midwives are discriminated against.

The judgment largely vindicates the Commission position that the British Sex Discrimination Act 1975 does not go as far as it should in establishing

sexual equality. But it does not mean that Britain, by EEC standards, is abnormally sexist.

The Council of Ministers adopted a directive on sexual equality in 1976. Since then, the Commission has been trying to chivy member-states into line with its broad provisions.

Belgium and Italy are already before the Court on alleged breaches. West Germany is about to go. A case against Luxembourg is in the pipeline. Ireland is about to amend its laws. France has had a series

of amendments to its laws and has avoided the Court.

Following yesterday's decision, it is up to the British Government to decide the provisions of the Act. The UK has no history of defying Court decisions and if the Government adopts the same technique as it has done on a parallel case involving equal pay, then changes may be effected by order-in-council.

There is no reaction from the Government so far. Officials are still studying the judgment.

Kohl mounts strong defence of missile deployment in Europe

BY RUPERT CORNWELL IN BONN

THE West German Chancellor, Herr Helmut Kohl, yesterday defended vigorously NATO's imminent missile deployment in Western Europe, and accused the Soviet Union of seeking to gain the capacity to threaten nuclear conflict limited to Europe.

His words, in a speech to a congress of his own CDU party here, were evidently tailored to underline West Germany's commitment to the missiles plan and to its alliance with the U.S., despite misgivings over the invasion of Grenada.

They coincide with a visit to Bonn by Mr Kenneth Dam, the Deputy U.S. Secretary of State, as part of a European tour aimed at patching up divisions between Washington and major West European capitals in the wake of the Grenada affair.

Herr Kohl stressed his full confidence in Washington's handling of the missile reduction talks in Geneva, and placed the blame for their failure so far firmly on Soviet shoulders.

He also attacked the opposition Social Democrats (SDP) and the greens. By "propagat-

ing anti-Americanism," he said, they were seeking to place the Western alliance in question, and were paving the way for a policy of neutralism and nationalism.

Meanwhile, Herr Hans-Jochen Vogel, the SDP leader, has demanded that deployment of the cruise and Pershing 2 missiles in West Germany should not begin until after the final vote in the parliamentary debate on the issue, scheduled for November 21 and 22.

Belgium's crucial parliamentary debate on deploying 48 cruise missiles started yesterday with no sign that the Government is prepared to change its stand of the past four years, writes Paul Cheesbright.

Mr Kohl told Parliament his Government wants an arms limitation agreement between East and West and that its decision on deployment will be taken in the light of the Geneva talks.

The main part of his speech, however, was devoted to fending off a move by the Flemish Nationalist and Socialist parties to have the decision made by

parliament. After the Government has made the decision, it will seek a vote of confidence.

The congregation of French bishops meeting in Lourdes yesterday renewed with vigour their opposition to unilateral nuclear disarmament and their belief that nuclear deterrence is still legitimate, writes Paul Betts in Paris.

In a text overwhelmingly supported by 93 votes in favour and only two against, the bishops agreed that unilateral disarmament could help avert a global blackmail. The bishops have thus added their influential backing to the French Socialist Government's position in favour of the nuclear deterrent.

The issue was also at the centre of talks yesterday between President Francois Mitterrand and Mr Pierre Trudeau, the Canadian Prime Minister, who started in Paris yesterday a so-called "pilgrimage for peace and disarmament" in Europe. The Canadian leader was flying last night to The Hague and is due to visit Brussels, Rome, Bonn and London.

Sharp fall in Sweden's jobless

By David Brown in Stockholm

SWEDEN'S official unemployment rate fell sharply between September and October, due largely to an increase in the number of people benefiting from Government-financed relief work.

The number of officially jobless fell by 29,000, or 4.1 per cent of the workforce, during the month, to 149,000 or 3.4 per cent, according to Statistics Sweden.

At the same time, those occupied in Government-financed jobs programmes grew by 23,600 to 166,100.

Among young people below the age of 25, official unemployment was down 20,000 (3 per cent) to 58,000 or 8.5 per cent, but is still well above the national average.

Last month, the Government announced a SKR 2bn (£171m) jobs programme aimed mainly at the young or to create about 55,000 new jobs by the middle of 1984.

Unemployment remains one of the major factors in the Government's declining popularity since it came to power last October.

Reuter adds from The Hague: Dutch seasonally-adjusted unemployment fell to 824,900 in October from 825,200 in September after being 708,100 in October last year, provisional Social Affairs Ministry figures show.

The figure in September was a post-war record. Seasonally-adjusted vacancies in October rose 400 to 11,000.

IMF backing for Portugal

THE IMF hopes it can offer Portugal a medium-term extension of facilities to help finance important structural reforms in agriculture and industry after the country's present stabilisation programme, writes Diana Smith in Lisbon.

This was announced by Sig Giovanni Lovato, the IMF director responsible for Portugal, at a seminar here for foreign bankers. Lisbon and the IMF signed a letter of intent last month leading to a 18-month SDR 445m (£311m) standby agreement.

Sig Lovato's reference to an extension of facilities was the first indication of continued IMF support since the Socialist-Social Democrat coalition took power last June.

Dutch police barred from wage protest

By Walter Ellis in Amsterdam

DUTCH POLICE were warned yesterday not to take part in protests by public sector workers against threatened pay cuts. A court in Utrecht upheld a submission by Mr Frans Korthals Altes, the Justice Minister, that a work-to-rule by police officers was unlawful and against the public interest.

Civil servants and other public employees meanwhile, have stepped up their campaign. Government workers stopped work in several provincial centres, many buses and trams ceased to run for a time and customs officials delayed the passage of lorries across the Belgian and West German frontiers.

A number of ships bound for the port of Rotterdam were redirected to Hamburg, Bremen and Antwerp when it became clear that a work-to-rule by customs officers could keep the vessels tied up in the Netherlands for days.

Bonn pledges DM 12m for A-320

BY JAMES BUCHAN IN BONN

THE BONN government announced yesterday that it would provide aid of DM 12m (£3m) for the development of the 150-seat Airbus A-320 airliner. In a small but important step forward for the four-country project.

The Bonn Cabinet decided at its meeting yesterday to make the money available, described as a conditionally repayable

loan, for the long-delayed project of Airbus Industrie, in which Messerschmitt-Boelkow-Blohm, through its Deutsche Airbus subsidiary, has a 37.9 per cent stake.

The DM 12m, while considerably less than the FF 300m (£25m) put up by France, which has played a leading role in developing the Airbus family, could help sway the UK Government

into supporting the project on behalf of British Aerospace. Up to now, the Bonn Government has been reluctant to step in to push the A-320 until an improvement in the world civil aviation market was reflected in launching orders.

However, the orders announced last month by British Aerospace, the first outside France, have given a fillip

French fines for price fixing

BY DAVID MARSH IN PARIS

THE FRENCH Government has imposed fines of FF 4.9m (£408,000) on 14 leading international insecticide companies, including Ciba-Geigy, Rhone-Poulenc, Bayer and Sandoz, for illicit price fixing in insecticides. A string of French insecticide makers and winter annual investment policies, reduce capacity and lay off some of their 14,500 employees in France.

Eso shut down 5m tonnes of annual refining capacity in France, reducing its output by about 40 per cent since last year.

It made no secret that its action was "political" and in retaliation against the pricing formula changes.

The domestic petroleum product prices on the basis of international oil prices, the U.S. dollar exchange rate, and transport and other costs. In the face of the continuing rise of the dollar against the franc, the French authorities had decided to freeze the dollar parity at FF 7.70 until next February for the purpose of the

Rosignol, Look and Dynastar. Announcement of the measures yesterday follows months of talks in which the Finance Minister, has held back from strictly enforcing the Government's competition rules partly because of the poor financial position of many French companies.

The insecticides ruling, which applies to alleged cases of price collusion between 1977 and

1981, is being enforced against some of the international chemical companies which are complaining loudly about French price controls in areas like pharmaceuticals.

The Government underlined yesterday that in general "lively competition" took place on the French insecticide market and that, with 20 companies participating, there was no dominant market leader.

The price-fixing formula has been a source of grievance for more than a decade. In 1973 the oil companies were already complaining about their French refining losses, although they then totalled FF 500m for the industry. They have been rising steadily since, except in 1978 when the French industry made a profit of FF 900m. But the following year it lost FF 300m, then FF 5m in 1980, FF 12.2bn in 1981, and

FF 12.3bn last year.

The Government agreed last year to bring the formula more closely into line with the realities of the international oil market. The companies regarded this as a breakthrough, especially since the fluctuations in the value of the dollar were to be reviewed on a monthly basis. The revamped formula began to have an impact during the first half of this year.

However, the worsening French economic situation and the strengthening of the dollar prompted a change of heart in the authorities. To prevent domestic oil product prices rising and forcing up the con-

sumer price index, the Government froze the dollar rate in the formula at FF 7.70.

M Jacques Delors, the French Finance and Economy Minister, is under increasing pressure to hold down domestic inflation which will overshoot the Government's 1983 target of 3 per cent.

He has again emphasised the Government's anti-inflation commitment and his Ministry launched a television advertising campaign a few days ago to win consumer support for its anti-inflation drive.

Under the circumstances, the Government felt the oil industry could also play its share in France's austerity programme. Indeed, the French Energy Secretary has in public at least, backed the freeze fully. "We agree that the inflation battle is the main priority," said an official.

A French oil executive remarked: "We are in complete agreement with the Government's economic aims, but we also feel the Government should

realise that the refining industry is in a distressed state and that it has now placed an intolerable burden on it."

The companies also viewed the decision as another sign of the declining force with which the Government appears to attach to the oil sector. The new long-term energy plan continues to heavily favour the nuclear sector, even though forecasts of French electricity demand have been scaled down dramatically.

Latest estimates by the refinery industry in France show a 15 per cent decline in capacity this year. It forecasts annual capacity at 118.4m tonnes in January next year or 16 per cent less than the figure in January 1983 which, in turn, was a 30 per cent drop from the January 1982 level.

Compounding the oil group's problems is the continuing discount war at petrol stations. Mr Edouard Leclerc and his large discount retailing chain started it by offering discounts below the government-permitted rate.

Until now, retailers could offer up to 10 centimes a litre discount below the fixed price. The Government was likely to mean new losses for the oil companies. Indeed, one oil executive calculated that, should the discount drop to between 15-20 centimes, it would cost the oil companies another FF 2bn a year.

However, while the change in the formula will give some relief to refiners, the larger discounts are likely to mean new losses for the oil companies. Indeed, one oil executive calculated that, should the discount drop to between 15-20 centimes, it would cost the oil companies another FF 2bn a year.

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Government pours oil on troubled waters of French refining industry

THE FRENCH Government has finally caved in to a rising chorus of protest from the oil industry against the method of calculating petroleum product prices. It agreed at the weekend to help the hard-pressed refinery industry by adjusting the price-fixing mechanism more favourably.

The formula had always been a dirty word in the French oil industry, but in the past two months it has become a pre-fanny. The Government's decision this summer to modify it provoked howls from refiners and caused a serious confrontation between the Socialist administration and French and international oil companies.

According to the companies, that change would have lost the French refinery industry an extra FF 16bn (£1.2bn) a year. The industry lost FF 12.3bn (£1bn) last year.

In an unusual display of unity, the companies—the two French oil groups: Total and Elf-Aquitaine, and the four

internationals with refining operations in France: Esso, Shell, BP and Mobil—warned they would be forced to review their entire French market strategies. They would reconsider investment policies, reduce capacity and lay off some of their 14,500 employees in France.

Eso shut down 5m tonnes of annual refining capacity in France, reducing its output by about 40 per cent since last year.

It made no secret that its action was "political" and in retaliation against the pricing formula changes.

The domestic petroleum product prices on the basis of international oil prices, the U.S. dollar exchange rate, and transport and other costs. In the face of the continuing rise of the dollar against the franc, the French authorities had decided to freeze the dollar parity at FF 7.70 until next February for the purpose of the

formula. The oil companies regarded this as an aberration. The dollar has been trading above FF 8 for most of the past two months. Indeed, it was trading at FF 8.14 in Paris yesterday.

The Government has now agreed to raise the oil formula parity to FF 7.90. For the oil companies this is still artificial but "less unfavourable" and likely to reduce the additional losses they were forecasting.

At the FF 7.70 rate, the formula would have lost the refiners FF 200-FF 230 million per tonne of crude. For Total and Elf, the two large domestic refiners, this translated into about FF 50m a month each.

Total's refinery business lost FF 1.35bn last year. Elf lost around FF 3bn, although exploration and production profits have so far more than offset the downstream deficit. Elf has also recently announced plans to lay off 2,000 people from its French refinery operations during the next three years as

part of its restructuring strategy.

The companies' anger had been exacerbated by the feeling that the Socialist Government had betrayed them.

The price-fixing formula has been a source of grievance for more than a decade. In 1973 the oil companies were already complaining about their French refining losses, although they then totalled FF 500m for the industry. They have been rising steadily since, except in 1978 when the French industry made a profit of FF 900m. But the following year it lost FF 300m, then FF 5m in 1980, FF 12.2bn in 1981, and

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Arab mission arrives in Damascus to seek ceasefire

By Kathy Evans in Doha

AN ARAB peace mission arrived in Damascus yesterday in an attempt to arrange a ceasefire between the warring Palestinian factions in north Lebanon.

The delegation was formed during urgent consultations in Doha, the capital of Qatar, where the six heads of state of the Gulf Co-operation Council are holding their annual summit.

The status of the delegation had to be sealed down after Syria made clear that it was reluctant to accept it. It was finally formed by the Foreign Minister of Kuwait and Qatar who were joined in Damascus by the Tunisian Foreign Minister and the Algerian Information Minister.

The Syrians let it be known that they considered receiving a high-level delegation would be tantamount to admitting that

they had some responsibility for the Palestinian fighting. As the delegation departed, it remained unclear who would receive the members in Damascus.

The Arab representatives also hope to meet members of the dissident Palestinian faction which has laid siege to the last stronghold of Mr Yasser Arafat, the PLO chairman. This would be the first meeting on an official level between Arab representatives and the dissidents.

Asked if the mission was also hoping to rescue Mr Arafat, the spokesman for the Gulf summit, Mr Issa Chamm Kawan said: "The mission is aimed to reconcile the two sides and leave them to sort it out." But he indicated that the Palestine National Council might be a suitable vehicle for reconciliation between the Palestinian people.

Reagan reviews impact of threatened oil supply cut

By Stewart Fleming in Washington

THE REAGAN Administration has launched a review of the impact which a cut-off of oil supplies might have on the U.S. and its allies as a result of the increasing tension in the Middle East and threats by Iran to block oil shipments through the Persian Gulf.

This was disclosed by Mr Donald Hodel, the Energy Secretary. Details of the review, and the actions which are being examined should supplies be interrupted have not been disclosed, but Mr Hodel said that a key aim was to discourage panic buying of oil products which could worsen or even create a shortage. Mr Hodel said, however, that none of the responses called for Government intervention in the oil market.

The Reagan Administration has consistently maintained that Government involvement in the oil market during a crisis tends to aggravate supply shortages and has insisted that it would not intervene. In Baghdad, reports Reuters,

officials who asked not to be heard that Iraqi policymakers think an attack on Iran's oil export terminal at Kharg Island was the only way to end the stalemate in the three-year-old Gulf war. Diplomats said there was a growing feeling that such an attack might be imminent.

In Tehran, writes Reuters, officials said that Iranian forces had captured two more heights west of the besieged Iraqi border town of Penjwin in its three-week-old offensive into northern Iraq.

Paul Betts adds from Paris: France yesterday finally officially confirmed delivery of five Super-Etendard aircraft to Iraq. M. Claude Cheysson, the French Foreign Minister, said the aircraft reached Iraq on October 8. He told the Senate that France had been pressed by several Arab countries not to delay the sale and give in to what he claimed was tantamount to blackmail by Iran. The Tehran Government had threatened to disrupt shipping in the Gulf if France delivered the jet-fighters.

Frustration and anxiety on the West Bank

By David Lennon in Nablus on the West Bank

THE WEST BANK, focus of Palestinian aspirations for a national homeland, was frustrated and dispirited yesterday as the 70,000 Palestinian residents waited anxiously for the outcome of the fighting between the PLO forces in Tripoli.

Mr Bassam Shaaka, the deposed mayor of Nablus and a symbol of the West Bank's struggle against the Israeli occupation, called yesterday for Palestinian unity. "We are on a dangerous course," he said bitterly. "The PLO, which was the main strength of our life after achieving so much, is now in danger." Mr Shaaka added "My mes-

sage to Abu Amar (Mr Yasser Arafat) the PLO chairman, is very clear. We want discussions not fighting. The fighting must end and the main leaders of the PLO should meet together to seek unity."

The Palestinians of the West Bank who have time and again risked imprisonment, injury and death to demonstrate against the Israeli occupation, appeared stunned yesterday by the battles in Tripoli.

Apart from a commercial strike in Jerusalem on Monday and an orderly protest meeting at Bir Zeit University, there has been virtually no public response to the events.

Chinese tourists to visit Hong Kong

By Mark Baker in Peking

THOUSANDS of ordinary Chinese are to be permitted to travel outside the country in the first formal tourist groups since the Communists came to power in 1949.

The move is seen as part of China's attempt to bring Guangdong province, and its capital, Canton, closer to adjoining Hong Kong before 1997 when Britain's lease over most of the colony expires.

The Chinese Government has decided to allow about 750 people a month from Canton to visit relatives or go sightseeing in Hong Kong for one or two weeks.

But the trips will cost between \$256 and \$384—about a year's pay for most ordinary Chinese workers. About 99 per cent of Hong Kong's population is Chinese, and most have relatives across the border in Guangdong. In the first half of this year, Hong Kong residents made 3.5m visits to the mainland and their spending on travel and gifts to relatives is expected to boost China's foreign exchange holdings by about \$50m this year.

But while China regards Hong Kong as part of its territory, the colony, with its nightclubs, race-tracks and just for the dollar, is about as far away culturally as Manhattan.

The visits to Hong Kong will be restricted to residents of Canton. It is expected to be extended to other residents of Guangdong, if it operates smoothly.

Mr Richard Evans' appointment as the new British Ambassador to Peking was confirmed in London yesterday by the Foreign Office. He will succeed Sir Percy Cradock, who retires from the post at the end of the year.

New Zealand oil share prices plummet

By Dai Hayward in Wellington

New Zealand oil share prices plummeted yesterday almost as rapidly as they shot up on Monday. Millions of dollars were wiped off share values, although most stayed higher than when they began their sharp rise.

On Monday, some oil exploration shares doubled in value in frantic trading on the Wellington and Auckland stock exchanges on reports that traces of oil had been discovered off the country's north-eastern Taranaki coast. Police had to be summoned to control jostling crowds.

Yesterday's decline was sparked by the announcement as the exchanges opened for business that Placid Oil had struck a dry well in its Great South Basin exploration.

The well had reached 7,900 ft with no trace of hydrocarbon. It is being plugged, and the Penrod 78 rig moved to a new location.

Southern Petroleum which has a 14 per cent interest in the search area saw its shares fall from 37 cents to 15 cents.

Tokyo concession on eve of Reagan visit

By Charles Smith, Far East Editor, in Tokyo

JAPAN YESTERDAY made a major concession to its U.S. ally on the eve of President Reagan's visit to Tokyo by agreeing to establish a Joint Military Technology Commission to co-ordinate the transfer to the U.S. of Japanese defence technology.

The agreement ends nine months of discussions on the procedure for transferring military technology to the U.S. following Japan's decision in principle last January to agree to such transfers.

Japan had planned to insist on a procedure which would make each item of technology

transferred the subject of a separate government-to-government agreement. The U.S. held out for a more informal approach and appears to have been largely successful.

The concession is Japan's second to the U.S. within days. Last week, Japan agreed to extend into next year the "voluntary" restraints on car exports to the U.S. which began in 1981 and have been renegotiated on an annual basis.

The military technology commission will comprise representatives of the Japanese Ministries of Foreign

Affairs, Defence, and International Trade and Industry and American members to be drawn from the U.S. Department of Defence.

The function of the commission will be to process applications for the transfer of individual items of technology. Discussions will be secret, and the commission will not publish details of what is to be transferred.

Japan's agreement to allow the transfer of arms technology to the U.S. represents an exception to the so-called "three principles" under which virtually all exports of arms or arms technology have

been banned since the mid-1970s.

The agreement with the U.S. is subject to the condition that arms produced with Japanese know-how will not be exported to third countries without the specific consent of the Japanese Government. It does not, however, rule out such exports.

Japanese officials are reticent on the subject of what types of technology the U.S. hopes to acquire. Unofficially, however, it is being suggested that American interest centres on the field of advanced electronics.

Nakasone may play his strong role

By Jurek Martin in Tokyo

PRESIDENT REAGAN's four-day official visit to Japan, starting today, offers Mr Yasuhiro Nakasone, the Prime Minister, the opportunity to rise above the increasingly fractious domestic political scene and play his strong role as international statesman.

With each passing day, a Japanese general election on December 1 appears more certain. Mr Reagan's high personal regard for Mr Nakasone and his general desire to strengthen

geopolitical relations with Japan means that he can be expected to go out of his way to boost the political stock of the Japanese leader in the eyes of the Japanese public.

The three formal face-to-face sessions, two in Tokyo and one, on Friday, in the more relaxed environs of Mr Nakasone's country "farmhouse," will probably skirt the stickier problems of trade friction which have often appeared to dominate bilateral exchanges in recent years.

Most of these issues have been settled in advance, such as last week's commitment by Japan to restrain further its car

exports and yesterday's decision to set up a joint commission on the transfer of military technology to the U.S. Others have been shelved (Japanese agricultural protection) or consigned to further joint study (enhancing the value of the yen).

In the latter area, however, substantive Japanese offers might be forthcoming, such as floating Japanese bonds in the U.S. or changing local foreign exchange market dealing regulations.

As a result, both Mr Reagan and Mr Nakasone will find themselves free again to pledge themselves to the cause of free trade, as they did in Washington in February and at the Williamsburg summit in May, without having the force of their commitment undercut by open disagreement over particular issues.

Their principal goal, however, will be to emphasise their common pursuit of geopolitical and strategic ends. This will embrace both a "global" solution to nuclear disarmament—that is, not leaving Japan out in the cold in any intermediate Nuclear Forces (INF) agreement reached with the Soviet

Union—and specific regional questions, such as the security of the Korean peninsula and Japan's commitment to defend the sea lanes up to 1,000 miles from its coast line.

Since assuming office a year ago, Mr Nakasone has proved a vigorous supporter of U.S. foreign policy and has, where possible, tailored Japanese regional policy to complement U.S. goals.

Thus Japan took, to considerable U.S. pleasure, a frontal role in denouncing the Soviet role in the Korean airliner, and, on Monday, imposed limited diplomatic sanctions against North Korea for its presumed role in the assassination in Burma of several South Korean Government members.

This solidarity with the U.S. has probably bought Japan some respite from the constant U.S. pressure for sharply increased Japanese defence spending. As it is both the current fiscal year's austere budget and the even tougher one on the cards for next year do provide real growth in defence spending at the expense of domestic programmes.

if by not as much as the U.S. would like.

There is a general sense in Japan that Mr Nakasone has done well in foreign policy, better, certainly, than in his domestic political management. If there were misgivings about his enthusiasm for standing four-square behind the U.S., they have become much more muted since the airliner incident.

But, at the same time, there is also the perception in Japan that the Reagan-Nakasone summit may offer one of the last opportunities for some time for such a display of mutual solidarity. Once the Japanese election is out of the way, U.S. political campaigning next year is bound to feature renewed demands for the U.S. to get tougher with Japanese trade practices.

If he runs, President Reagan (or any other Republican candidate) may find himself forced by political circumstances into positions that he has no intention of bringing to the fore this week in Japan, except in the most general of terms.

Court orders release of Zapu politician

By Tony Hawkins in Harare

THE Zimbabwe High Court yesterday ruled that the continued detention of prominent Zapu politician, Mr Dumiso Dabengwa was illegal and ordered his immediate release.

It was the second occasion within two weeks in which the Zimbabwe High Court has come out against Mr Robert Mugabe's Government's use of its detention powers.

Two weeks ago, another prominent Zapu political leader, Mr Vote Moyo gained a similar High Court ruling, but the government responded by immediately producing a new detention order.

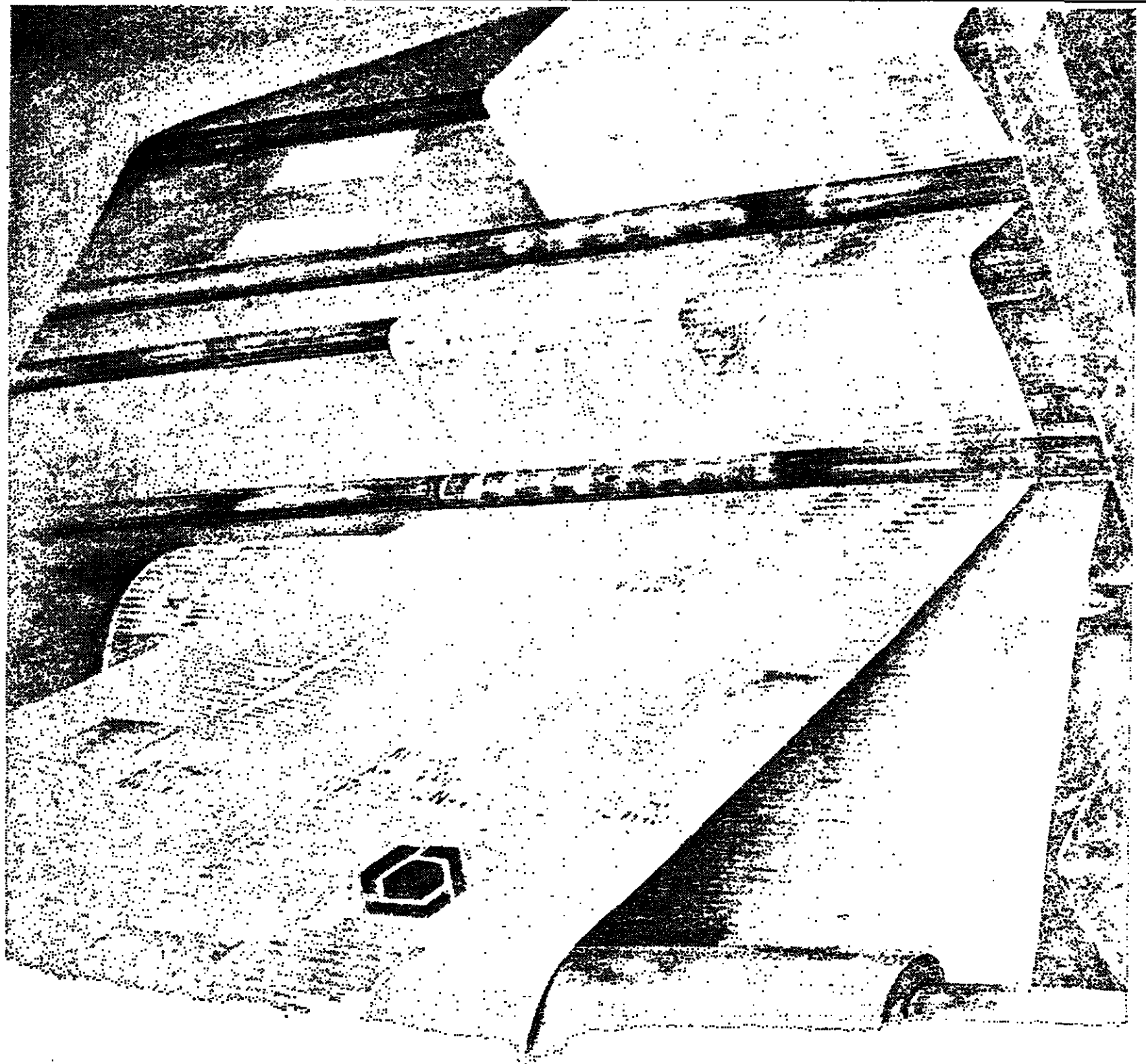
Mr Dabengwa was acquitted in April this year on charges of treason and illegal possession of arms. He was immediately detained again, but his lawyers yesterday successfully won a court action in his favour arguing that this was now illegal because his case had not been reviewed by the tribunal as stipulated in the constitution.

The Russian-trained Mr Dabengwa is widely regarded as the most likely successor to Mr Joshua Nkomo as leader of the opposition Zapu Party.

In a separate development, Bishop Abel Muzorewa's 26-year-old son Philemon was released after one day in custody. He said that he had been threatened, warned and assaulted by special agents.

He had told the special branch men that he would not stop telling the Press about what was happening to his father.

Meanwhile, from Bulawayo, the Zimbabwe Government reported the murder by anti-Government insurgents of a second white farmer within 48 hours.



Come indoors to the garden and watch the sunrise go down.

In fact, surrounded by overhanging palm trees and in the Caribbean atmosphere of our glass covered patio, you can sip your way through a variety of tempting cocktails, shaken or stirred at our tropical poolside bar.

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AMERICAN NEWS

Bid to halt planned closure of newspaper

By Terry Dodsworth in New York

The Justice Department has intervened to prevent the planned closure of the St Louis Globe-Democrat on the grounds that the owner should first examine the possibility of a sale to an alternative publication.

Closure of the newspaper, one of only two main dailies in St Louis, has been announced by the S. I. Newhouse newspaper group, an enormous private communications empire.

Under U.S. anti-trust regulations, the Justice Department says alternative means of publishing the paper ought to be examined, although it will not oppose closure if there are no serious take-over candidates.

Anderson poll bid

Former presidential candidate John Anderson is forming a new political party and will run for the White House again "if the party were to ask me to be a standard bearer," AP reports from Los Angeles.

Mr. Anderson, who sought the republican presidential nomination in 1980 as an independent, said his National Unity Party would challenge the "two old parties."

Quito debt request

Ecuador will formally request the rescheduling of some \$1.5bn of its foreign debt principal payments falling due in 1984 at a meeting with its creditor banks in New York next Wednesday, a central bank communiqué said, Reuters reports from Quito.

Sr. Pedro Pinto, Finance Minister, and Sr. Abelardo Pachano, central bank governor, will also ask commercial banks for fresh funds to finance Ecuador's 1984 balance of payments, it added.

Mexican inflation

Mexico's consumer prices rose 3.3 per cent in October bringing the rate of inflation for the first 10 months of the year to 63.7 per cent, writes William Chislett in Mexico City. This was the third consecutive month that prices increased by less than 4 per cent after an average monthly increase of 6 per cent in the first half of the year.

President and politicians are locked in a trial of strength. Andrew Whitley reports. Wage law falls foul of Brazil's power game

THE Brazilian Congress was last night due to begin one of its most crucial sessions for decades. On the agenda is a Presidential decree, anonymously numbered 2,065, whose approval by the legislature is of vital national significance.

The contents of Decree Law 2065 are not, by themselves, anything revolutionary or extraordinary. They amount to a modest reduction in the protection against inflation given to middle and upper income wage earners in Brazil, as well as a straightforward package of tax increases.

The attention being given at home and abroad to Congress's deliberations is due, rather, to the fact that the Government's ability to secure domestic support for unpopular measures, aimed at improving Brazil's parlous economic state, has been called very much into question in recent weeks. Last month, a tougher version of this decree was soundly rejected by Congress.

For Brazil's foreign creditors and the International Monetary Fund, the new Decree Law is a symbol of the Figueiredo Government's will and ability to govern. For the mass of politically conscious Brazilians, returning to democratic life after 19 years of military rule, it is instead a symbol of the battle for power between an elected Congress and a President chosen by his fellow generals.

How far the Government or the opposition parties can go without seriously jeopardising "Abertura," the programme of gradual return to full civilian rule, is the question hanging in

the air over the salary limitation debate. Neither side seems prepared to test the other's strength to the limit, for fear of the consequences.

"The trouble is that this government does not know how to negotiate," a senior Finance Ministry official confided recently. Brazil's economic ministers are all technocrats unused to having to justify their policies or to attempt to "sell" them to Congress, never mind the public at large.

This has proved a major obstacle to the passage through Congress of the wages decrees. The situation was aggravated by the pressures of time. The constitution theoretically gives Congress 60 working days to consider any new Presidential decree. But the Government made it clear that it wanted to secure Congressional approval before the IMF meets on November 18 to consider a resumption of lending to Brazil.

The President could have avoided a showdown with Congress by the simple expedient of issuing one temporary decree after another—each of them having the force of law. This would be a severe distortion of the unwritten rules of political behaviour in the "Abertura" period, but it would have been better than the alternative of closing Congress down.

The five combined opposition parties have a small majority in the Chamber of Deputies, although they remain in a minority in the federal Senate. The balance of power in the Chamber is held by two small labour parties, each with about a dozen representatives.

A new, hastily patched-together pact with one of them, the Partido Trabalhista Brasileiro, last weekend restored the Government's control in the Chamber—at least as far as the wage decree is concerned. In return, the PTB hopes it will be given a place in government, shoring up its prospects for survival.

Decease Law 2065 is a much more complex package of salary and fiscal measures than its ill-fated predecessor Decree Law 2045.

The earlier presidential decree announced on July 13 placed all its emphasis on wage reductions as the key to bringing down inflation and reducing the state sector deficit.

All wages for registered, full-time employees were to be limited to 80 per cent of the official price index. Critics said the measures would hurt lower-income earners most.

Despite strenuous Government efforts to secure its approval, Decree Law 2045 was defeated in the Chamber of Deputies on October 19.

It was immediately replaced by a much more draconian package, involving substantially higher financial corporate and individual taxes as well as a new sliding scale for designed to achieve the same overall effect as its predecessor.

Following their historic defeat of the Government last month over Decree Law 2045—the wage bill which limited all pay rises to 80 per cent of the inflation index—the leading opposition politicians had high hopes that they could bargain with President Figueiredo from a position of strength.

They had hoped to obtain real political concessions including direct elections for the Presidency, in place of the present system of indirect elections by an electoral college loaded in favour of the military's supporters.

They were also calling for an immediate break with the IMF and a lengthy moratorium on debt payments. But behind this lay an immediate, and much more modest appeal: to be consulted in the shaping of economic policy.

These ambitious hopes have been dampened by the way in which the Government succeeded in forging a political

pact with the PTB. Before starting negotiations with the opposition, the President first had to tackle the serious unrest within his own party, the officially-created Partido Democrático Social.

When a replacement decree was made public following the defeat in Congress of the original salary measures, PSD leaders such as Sr. Nelson Marchezan, the party's leader in the Chamber of Deputies, spoke bitterly of their "betrayal" by Sr. Delim Netto, the Planning Minister.

In the political horse-trading that followed, this decree was subsequently withdrawn and replaced by a softer version, Decree Law 2065.

A significant dissident minority within the official party, calling itself the "Participação" group, continue, in revolt, complaining that it is being cold shouldered by the Presidential Palace. This obscure faction could by itself have been sufficient to block any attempt by the President to get the IMF-inspired measures through Congress. A temporary truce among Government politicians, aware of the shakiness of President Figueiredo's position if the IMF measures were to be defeated again, has covered over the cracks for the moment.

After the drama of recent weeks, a half way scolding should probably read: technocrats and soldiers: 1, politicians united: 2. The cold wind blowing over Brazil, as the holders of nearly \$100bn worth of debt watch nervously from the sidelines, has had its desired effect.

Reuter adds from São José: Two top leaders of the anti-Sandinista Revolutionary Democratic Alliance (Arde) have patched up their differences, according to alliance officials.

The officials said Sr. Alfonso Robelo and Sr. Edean "Comandante Zero" Pastora met last night in Panama before leaving for a fund-raising tour of Europe and the U.S. states.

The rebel leaders fell out two weeks ago, when Sr. Pastora accused Sr. Robelo of sending Arde fighters to train with another guerrilla group which contains many former national guardsmen of the Somoza regime.

U.S. allays British fears over arms sales to Argentina

BY JIMMY BURNS IN BUENOS AIRES

THE U.S. Government has moved quickly to reassure Britain that the planned lifting of its ban on arms sales to Argentina will not be followed by any major weapons purchases by Buenos Aires.

U.S. embassy officials in Buenos Aires said yesterday a decision had been taken in Washington several weeks ago to lift the ban on November 1—immediately after the Argentine election—as a gesture of goodwill to the incoming civilian authorities.

But the move was held up at the last minute because of Britain's opposition to the U.S. invasion of Grenada. Argentina's own public condemnation of the invasion was a further factor.

However, the officials indicated yesterday that the ban would almost certainly be lifted, either before Christmas or early next year, in spite of Mrs. Thatcher's warning on Monday that this risked further souring Anglo-American relations.

Over the past 18 months, Argentina's armed forces have been seeking to replace considerable amounts of equipment destroyed or captured by the British during the Falklands conflict.

But U.S. officials are understood to be sufficiently convinced by the incoming Radical Party administration that such initiatives will be severely curtailed. Sr. Raul Alfonsín, the party leader, has publicly pledged to slash defence expenditure next year from 15 per cent of GDP to 2 per cent as part of a major reform of the armed forces.

The U.S. officials also said Washington would restrict major arms sales as a way to upset the delicate balance of military power between Chile and Argentina.

Argentina in the past has shown interest in the advanced U.S.-built F-16 fighters and the F-5G Tiger Cat as well as in long-range naval patrol craft and sophisticated radar equipment.

But the officials said if any sales did go ahead, they would be restricted to spares for the army's Chinook helicopters, and the air force Skyhawks and Harrier C-130 transport planes.

The current ban on arms sales was imposed in 1977, but a rider introduced in 1981 allows President Reagan to resume arms sales to Argentina once he has certified that human rights there have improved.

Feldstein says structural deficit could double

BY STEWART FLEMING IN WASHINGTON

THE structural budget deficit of the U.S., that part of the deficit which will remain even with relatively full employment, will more than double to \$206bn by 1988, Mr. Martin Feldstein, chairman of the President's Council of Economic Advisers, warned Congress yesterday.

Mr. Feldstein's comments follow predictions by Mr. Donald Regan, Treasury Secretary, that the deficit could shrink to \$125bn by 1986.

However, Mr. Regan's prediction was based on what he conceded were favourable assumptions, including action in Congress to implement spending cuts the Administration has said it wants, which has looked increasingly unlikely recently.

Mr. Feldstein's warning yesterday to the Joint Economic Committee is perhaps his bluntest description yet of the impact he believes current policies will have. Taking the actual budget deficit of \$185bn for 1982, he divides it into a structural deficit of \$100bn and a cyclical deficit of \$85bn. He then presents the evolution of these two components.

The forecast expansion of the economy is expected to steadily erode the cyclical part of the deficit, reflecting rising tax revenues and cuts in spending on, for example, social security as the economy grows.

But Mr. Feldstein says: "The structural deficit is forecast to grow as rapidly as the cyclical deficit shrinks," with the result that the total deficit remains over \$200bn right up to 1988.

Murdoch delays launch of satellite TV system

BY WILLIAM HALL IN NEW YORK

MR RUPERT MURDOCH, the Australian publishing magnate, has postponed plans for the launch of the first nationwide satellite-to-home TV system in the U.S. Five satellite transponders which have been leased for \$75m for six years are now redundant.

Mr Murdoch moved into the satellite TV business in the U.S. earlier this year when News America acquired Skyband Operations were originally intended to begin later this year but the start-up date was then deferred until June 1984.

It has now been delayed until late 1985 so that the company can take advantage of new developments in satellite technology.

Mr Harvey Schein, who was brought in to head Skyband, admitted that the five original satellite transponders were now redundant.

He said his company was taking steps to find other uses for the transponders and refused to speculate on the losses which Skyband's parent, News America, might incur.

Managua prepares for invasion

BY TIM COONE IN MANAGUA

NICARAGUA has introduced an accelerated military training programme to train thousands of members of a civilian militia in the coming weeks.

Commander Francisco Ramirez, the head of the army's militia forces said on Monday the country had the capacity to train and arm all the people, "and we are going to defend ourselves with everything we have."

Sandinista leaders have warned repeatedly in the past weeks of an "imminent invasion" by U.S.-backed right-wing guerrillas supported by U.S. allies in the region as well as of

direct intervention by U.S. forces.

Thirty six military training centres in the capital Managua, are to open every evening as well as weekends to provide military training for anybody who wants to receive it. The training programme lasts 20 days. Formerly, training was only carried out at weekends.

Meanwhile, civil defence teams are being organised throughout the city, and bomb shelters are being built close to strategic targets, such as the oil refinery in the west of the city.

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Have you heard how your company can lose money overnight?

Three o'clock one Sunday morning, the manager of a certain well-known company went to visit his empty factory.

And even though he wasn't afraid of the dark, what he heard horrified him.

The wind whistling through open windows, taps dripping, the whirr of machines left switched on.

Sounds that told him his company was wasting a lot of money, because it was wasting energy.

It's something you should be seriously thinking

ing about. Fuel prices have risen sharply over the last decade and energy costs are now a vital part of production costs.

However, if you know how energy is one of the easiest resources to control. Which is why a growing number of companies have taken the all-important step of appointing an energy manager.

Many have made use of an Energy Efficiency Survey Now under a new scheme consultants

provide an analysis of how a company can make

better use of its energy and implement an energy-saving programme. The Energy Efficiency Office will refund a substantial part of the fee.

Some have taken advantage of the Energy Conservation Demonstration Projects Scheme for all the latest information about energy-saving technologies and equipment.

If you'd like to know more, fill in the coupon. Whatever your particular problem, we think you

will find we are worth listening to.

To: The Energy Efficiency Office, PO Box 702, London SW20 8SZ. Please send me more information on how I can make better use of energy.

Name _____

Job Title _____

Address _____

Tel _____

ENERGY EFFICIENCY OFFICE

We relish the prospect of competing against a privately-owned British Airways. But shouldn't there be a change in the rules?

If British Airways is privatised as it stands, where will it stand?

In a position to stifle the growth of Britain's independent airlines.

It will have the best route network of any airline in the world.

It will run over 80% of our nation's scheduled services.

It will operate the bulk of its services from an almost impregnable position at Heathrow, the world's busiest gateway.

And it will have been freed, at the taxpayer's expense, from the vast burden of its borrowings.

What is now a virtual state monopoly will simply become a private one.

And that can be in the interests of no-one.

In common with other British independent scheduled airlines, we believe that something must be done now.

So we at British Caledonian have put a plan to the Government.

In summary it is this.

British Caledonian would take on certain British Airways routes and operate them all from Gatwick.

(We would, we emphasise, pay for the assets.)

Other services, including British Airways regional operations, would be transferred to those independents wishing to take them on.

Where would all this leave British Airways?

In a much healthier position.

It will still be Britain's biggest airline by far.

But being solely Heathrow based, it will be tighter, leaner and therefore more saleable.

And with 2 major British airlines competing on more equal terms, the British nation itself will win.

The cash burden imposed on the taxpayer by privatisation will be cut by several hundred million pounds.

The congestion travellers face daily at Heathrow will be relieved.

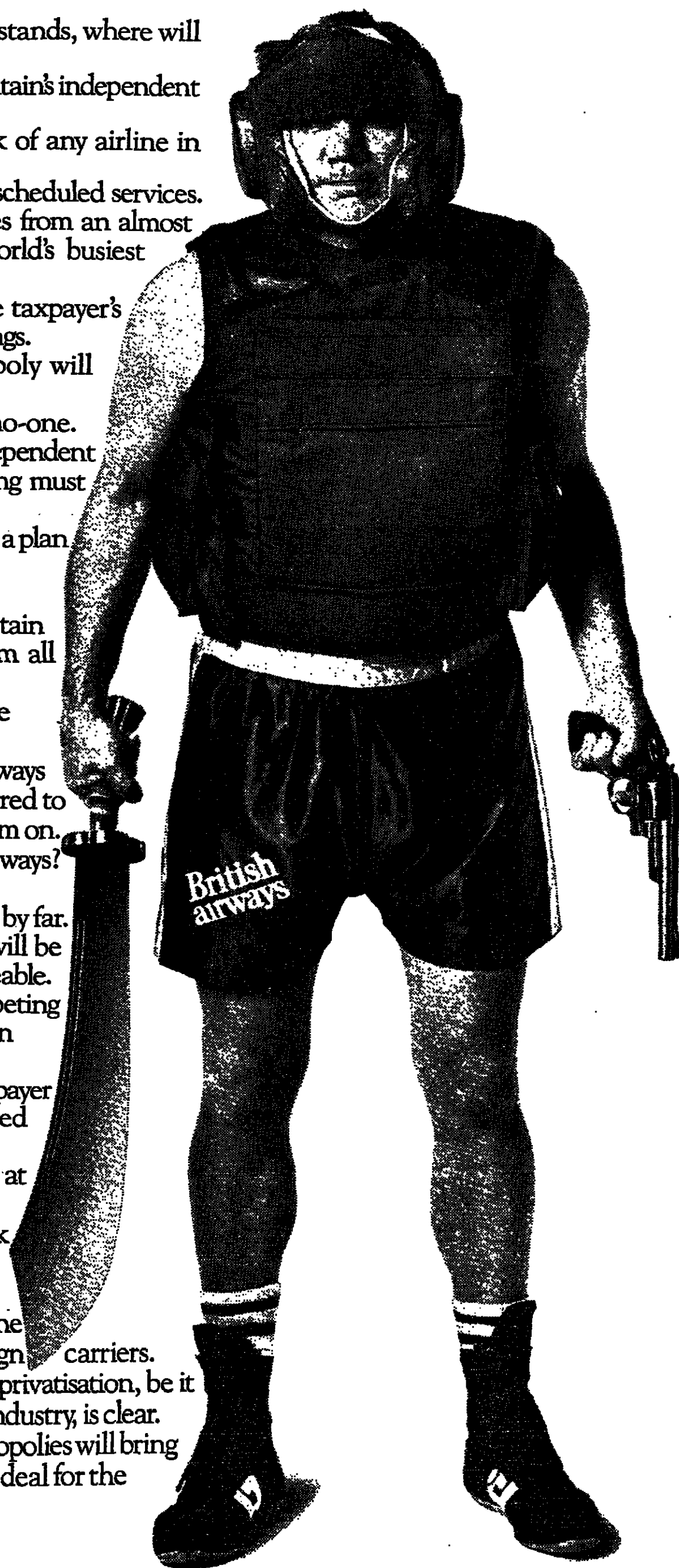
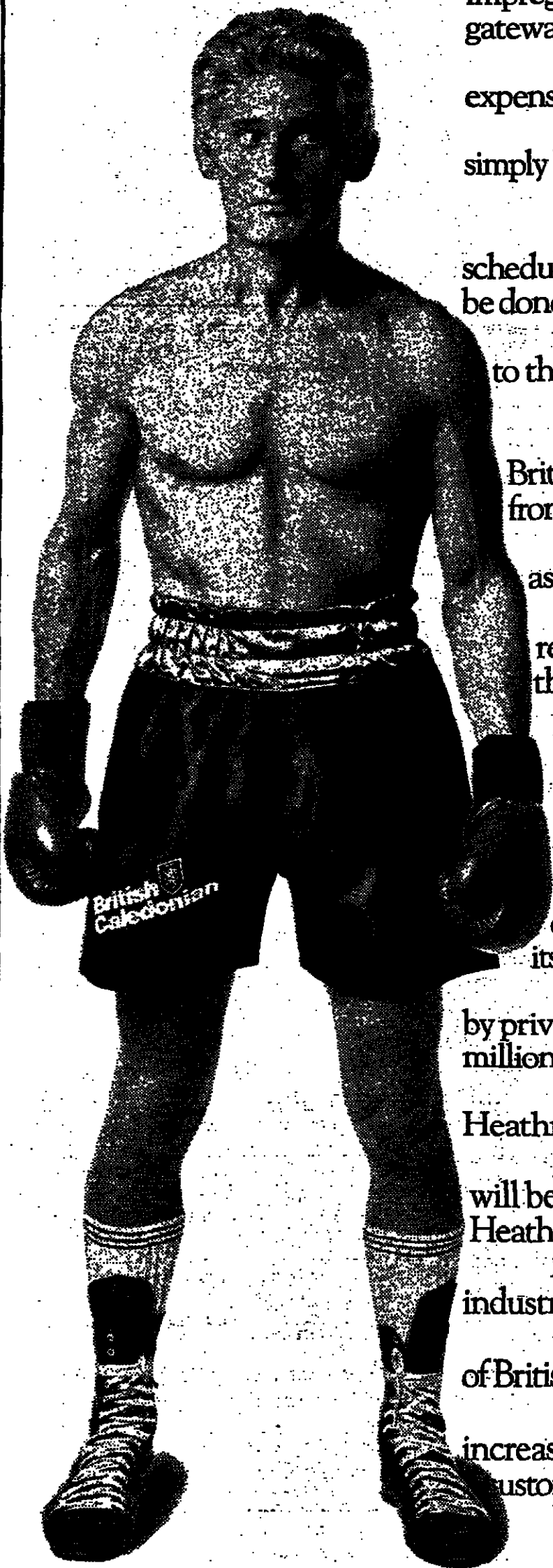
With a fairer share of routes, Gatwick will begin to fulfill its intended role as Heathrow's twin.

And we will at last have a balanced airline industry, structured to take on and beat foreign carriers.

The Government's reasoning behind privatisation, be it of British Airways or any other nationalised industry, is clear.

It believes that breaking up State monopolies will bring increased competition, resulting in a better deal for the customer.

We couldn't agree more.



British Caledonian

WORLD TRADE NEWS

Hong Kong likely to decide on China power deal this week

BY ROBERT COTTELL IN HONG KONG AND ALAIN CASS IN LONDON

HONG KONG is expected to announce this week its decision to buy electricity from the proposed nuclear power station in Guangdong province, China, fulfilling a key requirement for the construction of the \$4bn-5bn (£2.6bn-£3.4bn) project.

The decision, discussed yesterday by Hong Kong's Executive Council, means that detailed talks could soon begin on the project, the single biggest investment ever undertaken by China.

Hong Kong's decision to buy power from the Guangdong plant is vital because it will provide the People's Republic with the necessary finance to repay the huge loans required for its construction.

Britain's General Electric Company is thought to be the front-runner to build the plant. This is expected to account for 45 per cent of the overall cost. Framatome of France appears set to win the nuclear reactor package against stiff U.S. competition.

Officials at the Department of Trade stressed yesterday that there would still be a long way to go before a letter of intent was signed even if Hong Kong agreed to buy power from the Guangdong plant.

China is likely to drive a hard bargain in an attempt to obtain the lowest possible terms for the financing of the package.

There is also some concern about the determination of the Chinese Government to pursue the development of its highly expensive nuclear power programme. Some Chinese officials

favour the alternative development of China's abundant coal resources. These officials also point to the expected off-shore oil finds.

The power station project is likely to be one of the subjects discussed by Mr Peter Walker, Britain's Energy Minister, when he visits Hong Kong today and tomorrow. Mr Walker's Hong Kong trip follows an official visit to China.

The Hong Kong Government's statement will reflect its final assessment of a report analysing the potential financial implications of buying power from the Guangdong station.

The report, prepared by the London merchant bank Lazards, was submitted to the Government at least five weeks ago.

Analysts note that Sir Edward Youde, Governor of Hong Kong, said on October 5 that the Government's "preliminary assessment" is that "it ought to prove possible to negotiate an off-peak agreement."

Korea Heavy Industries and Atomic Energy of Canada, both state-run, have been picked jointly to build a \$1.25bn nuclear power plant for Turkey, AP reports from Seoul. The Korean company said.

The Korean partner said its share in the project is \$250m with the remaining \$1bn going to AECI. The Canadians will supply a reactor and the basic design, and Korea Heavy Industries will provide generators and other conventional equipment and detailed design for the Turkish power plant with a capacity of 630,000 kw officials said.

U.S., Japan agree to end 'chip' import duty

TOKYO — The U.S. and Japan have agreed mutually to remove import duty of 4.2 per cent on semi-conductors as early as possible, to expand trade in this high-technology field, the Japanese Foreign Ministry said.

The agreement, emerging from four rounds of U.S.-Japan working-group talks held between April and October, will soon be confirmed by an exchange of official notes between the two governments.

The working group recommended both governments eliminate the duty, promote mutual investment in related industries, and urged Japan to buy more U.S.-made semi-conductors.

Ministry officials said Japan will make semi-conductor imports duty-free from April 1, subject to approval by a governmental advisory panel — the Tariff Council.

Japanese exports of semi-conductors, mainly integrated circuits, to the U.S. in the first nine months of 1983 were up 58 per cent in value from a year earlier, while its imports from the U.S. were up 20.3 per cent.

The typical small businessman in the U.S. may simply not know how to locate markets for his product, and when he does, he may have a limited understanding of the mechanics of exporting. He may be completely uninitiated into the mysteries of currency exchange, foreign letters of credit, customs procedures and the laws and regulations of the importing countries.

Even those sophisticated in the ways of trade face another major obstacle in obtaining export financing. About 40 per cent of all exports require pre- and/or post-shipment financing and commercial banks, worried about the creditworthiness of small companies, are reluctant to lend them money.

Washington's Export-Import Bank, recently called "Boeing's bank" by some because of its support for large aircraft manufacturers, particularly Boeing, has given small business comparatively little assistance. A study by Congress's Government Accounting Office found that less than 3 per cent of the direct loans and loan guarantees made by the Eximbank in fiscal 1982 went to small firms.

While the bank made some \$136m available in fiscal 1983 in the medium-term credit most used by small business, its disbursement — much the same thing — dropped from \$412.2m in fiscal 1982 to \$23.1m the next year.

The Eximbank budgeted \$100m for its small manufacturing programme in fiscal 1983 and 1984 but used only \$22.1m in the first year. Its officials say no applications were

Eximbank is facing challenges on support for small businesses writes Nancy Dunne

U.S. states get the export message

rejected, but the general worldwide decline in demand for exports resulted in a drop of financing requests.

"Small and medium-sized companies find it difficult to become aware of the Eximbank's programmes and to get access to them," says Mr Delio E. Gianturco, president of First Washington Associates, a consulting firm, and a former bank

official. He points out that a nationwide survey found that only about 15 per cent of all U.S. manufacturers actually know what the Eximbank actually does.

More and more states are stepping into the financing breach. About half-a-dozen have now passed export financing laws, and about 18 others have introduced such legislation, says Mr Gianturco.

Tennessee is one of them. Although the state ranks 15th in manufactured export volume, its businesses have received virtually no assistance from the Eximbank in the last 10 years due either to ignorance about the bank's programmes or because they were discouraged by what they regard as its time-

consuming, confusing credit applications. In May, Tennessee passed legislation establishing the Tennessee Competitive Export Corporation (TCEC), which will help package and process Eximbank programmes for local businessmen and market other federal export financing plans. Initially the TCEC will not be directly involved in

sentatives expert in Eximbank procedures who will work with small businessmen to make financing applications.

The Eximbank says it welcomes state attempts to help publicise and sell the bank's programmes, but is worried that independent state financing may not conform to guidelines established under the General Agreement for Tariffs and Trade or the Organisation for Economic Co-operation and Development consensus. The bank itself has instituted an active "outreach" programme to educate small businessmen. Specifically, it is promoting a "small manufacturers' discount loan programme, providing fixed rate financing for 1-5 years on contracts valued at about \$2.5m or less.

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In congressional testimony, Mr Carlo R. Gentilomo of the U.S. Chamber of Commerce complained that a 1 per cent interest rate margin, which regional banks are allowed to charge on transactions financed with Eximbank's medium-term money ultimately forces small companies to mortgage their businesses and any other assets they may possess.

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In June, Minnesota established an Export Finance Authority and authorised \$2m in state funds to guarantee loans for short-term working capital. South Carolina has approved \$6m for a state small business financing authority.

In Illinois the Governor vetoed legislation to set up an export financing programme on the grounds that there is sufficient, and unused federal funding around. However, the state plans to train marketing repre-

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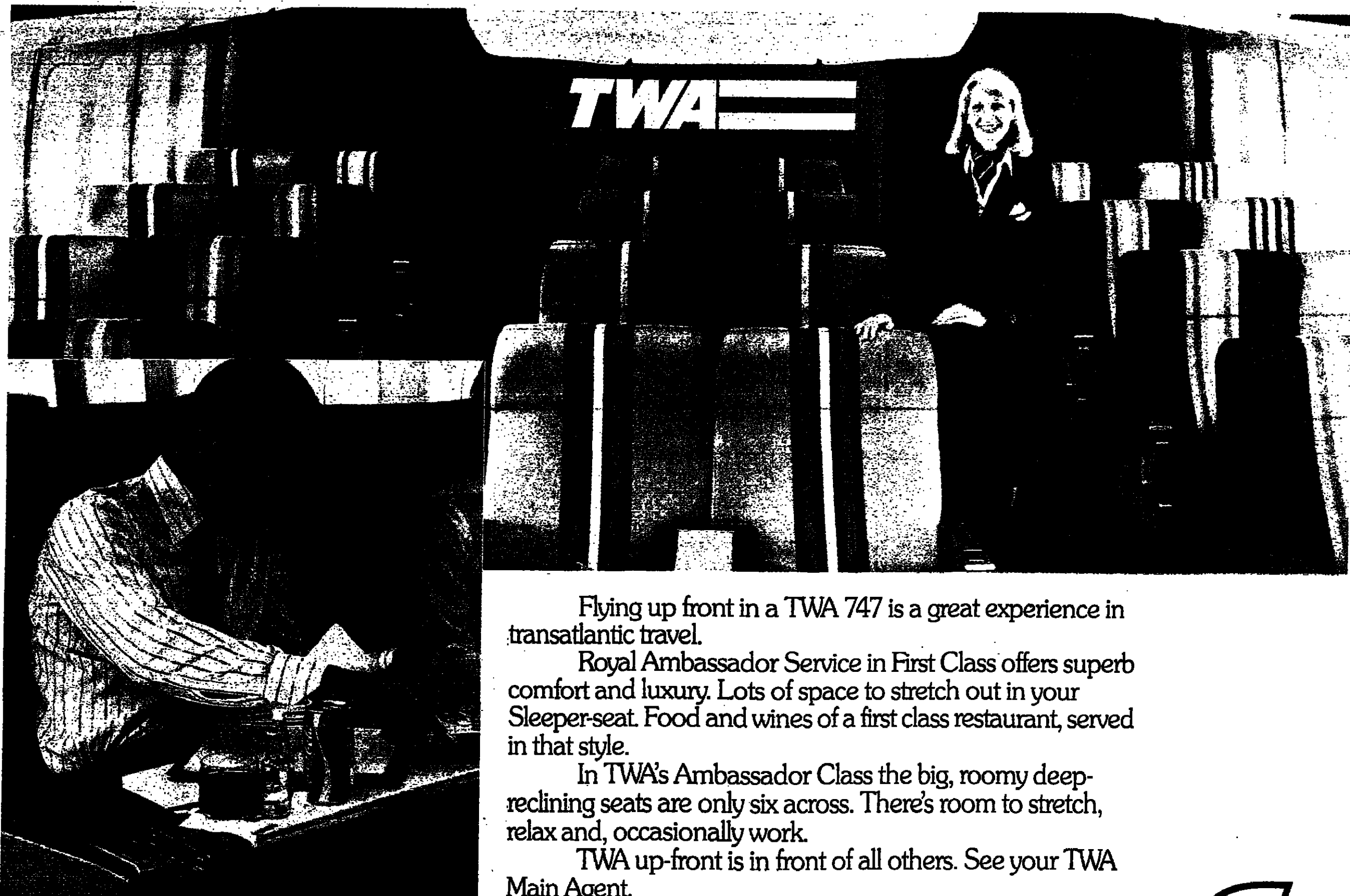
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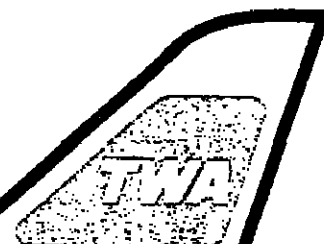
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UK NEWS

100 NEW COMPANIES HAVE MARCHED HERE IN THE LAST YEAR.

Seamen to vote on industrial action

By Brian Groom, Labour Staff

BRITAIN'S 24,000 merchant seamen are to be balloted on selective industrial action after their union leaders last night rejected an improved 5.3 per cent pay offer from the General Council of British Shipping.

This could lead the recession-hit shipping industry into its first national pay dispute since 1980-81. Five weeks of industrial action then made nearly 300 ships idle and another 400 were affected by overtime bans and lightning stoppages.

Mr John Keville, the shipowners' chief negotiator, said yesterday industrial action would be disastrous and would destroy more jobs. Since the last dispute the shipping slump had caused 340 ships and more than 4,000 jobs to be lost in the merchant fleet.

Ballot papers will go out to the seamen on Monday. They will make clear that a vote to reject the offer means industrial action. The process will take about four weeks.

Mr Jim Slater, general secretary of the National Union of Seamen (NUS), said the union's 13-member executive had decided unanimously to urge rejection. Members had already voted to support their negotiators' recommendations in the past.

The council's previous offer of 4.8 per cent on basic rates was raised to 5.1 per cent, taking it to £22 a week. It would raise the average earnings of a foreign-going seaman while at sea by 5.3 per cent to £158.54. The NUS's claim is for substantial but unspecified pay increases. The settlement date is January 1.

Mr Slater said: "We have contributed to the fall to get shipping out of its crisis but there are limits. Basic pay is atrociously low and not compatible with the work an able seaman has to do."

The British fleet is down to 810 vessels weighing a total of 23.4m deadweight tonnes. The UK has 17 per cent of its tonnage idle, compared with a world average of 13 per cent.

CBI to oppose law on worker participation

By JOHN LLOYD, INDUSTRIAL EDITOR

THE CONFEDERATION of British Industry (CBI), the employers' organisation, yesterday gave formal notice that attempts by the European Commission to legislate for workers' involvement in UK industry would be strongly resisted.

At the final day of the CBI's conference in Glasgow every speaker opposed legislation based on the so-called Vredeling directive of the EEC.

Mr Alan O'Hara, of the CBI's southern regional council, called on Mr Tom King, the Employment Secretary, and Mr Norman Tebbit, the Trade and Industry Secretary, to "use the country's constitutional right to block these proposals once and for all".

The CBI believes that the UK Government, which is due to publish a consultative document on the proposals today, might find support from Italy and the majority of the smaller EEC countries to ensure their defeat.

Companies were urged by the CBI to involve workers instead through voluntary action. Many speakers gave enthusiastic details of their own companies' success at employee participation in day to day decisions.

Sir Alex Jarratt, chairman of the CBI employment policy committee and of Reed International, said involvement of employees required commitment, the investment of time and money and acceptance of the need for training. This could not be achieved by legislation. The EEC proposals were concerned with structures and procedures rather than with flexibility and commitment.

The conference also endorsed the CBI council's opposition to the EEC Commission's proposals for a shorter working week. Mr John Harrison, director of the Knitting Industries Federation, said management had a responsibility to stop the leap towards self-destruction through reductions in working hours.

He said alleviation of the "social curse" of unemployment did not lie

in a 35-hour week, particularly without any compensating reduction in pay, and in six weeks' paid holiday.

Sir Alex Jarratt said: "Some companies claim flexible working practices and harmonisation of conditions can result in, or be linked with, increased productivity." But revised hours suited to the requirements of an individual enterprise were a different matter to initiatives designed to increase jobs.

CBI leaders played down members' criticism of government policy on the economy but continued to press for more controlled growth. Sir Campbell Fraser, the CBI president, and Sir Terence Beckett, the director general, stressed that the CBI position on the economy had not radically changed and that their submission to the Government in the approach to next year's budget would call for moderate growth within the anti-inflation strategy.

Conference debates revealed strong support for new government initiatives to make the breach of procedure agreements by trade unions punishable by loss of the unions' immunities from legal action.

Dr Keith Humphreys, managing director of May and Baker, said that if the Employment Secretary could secure no-strike undertakings in these services from the Trades Union Congress (TUC), "so much the better".

He warned, however, "the issues are too important for us to be satisfied with vague assurances. That is why the Government must consult widely on the issues and be prepared to take firm legislative action if talks with the TUC bear no early fruit."

Dr Humphreys delivered an oblique warning to the Government that the CBI might look for further legislation if it was found that the Post Office Engineering Union's action in blocking the Mercury telecommunications company was lawful.

Union braced for Mercury setback

By Philip Bassett, Labour Correspondent

LEADERS OF the Post Office Engineering Union (POEU) were preparing themselves last night for an expected decision today by the Court of Appeal against the union's blocking of Mercury, the private telecommunications company.

If the court decision goes the way union leaders now expect, it will be both a major setback for the union movement, strengthened by the earlier High Court judgment in the case in the POEU's favour and at the same time will remove the need foreseen after the original decision by influential groups, such as the Institute of Directors, for a change in the Government's Trade Union Bill, which received its second parliamentary reading yesterday.

Senior POEU figures at the union's reconvened annual conference at Blackpool were making no public predictions about the judgment to be delivered today by Sir John Donaldson, Master of the Rolls, on Mercury's appeal.

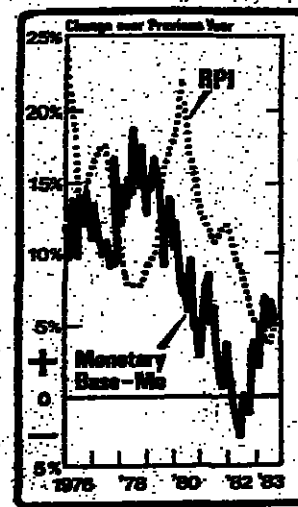
Privately, though, union leaders were accepting that the judgment would go against the POEU, and that Mercury would be granted an interlocutory injunction under the 1982 Employment Act, restraining the unions' industrial action against the company.

In advance of this expected decision, POEU leaders were yesterday making arrangements for an emergency meeting of the union's executive committee this evening, to be followed tomorrow by a discussion of the judgment in a private session of the conference.

If the judgment goes as expected, the executive and the conference will be faced with tough decisions as to whether to become the first union to yield to the courts in the first significant practical test of the Government's labour legislation, whether to appeal a contrary judgment, or face legal action.

Lawson cuts his way into monetary jungle

BY MAX WILKINSON, ECONOMICS CORRESPONDENT



Money supply had proved notoriously difficult to control. During the period of the last government, sterling M3, the broad definition of money which includes bank deposits, grew at an average annual rate of 13.5 per cent, and between mid-1980 and mid-1981, it grew by 22 per cent. One of the Treasury's first tasks after the general election in June was, therefore, to search for a better answer to the question: "What is money and how can we control it?"

When the medium-term strategy was being drawn up in 1979 the narrowest definitions of money were rejected as inadequate for the main focus of policy. M0, for example, does not represent the total amount of money available, since people use cheque books as readily as cash.

However, M1, which includes bank deposits which can be withdrawn without notice was also considered too restrictive. This was because people readily switch money out of longer term deposit accounts to make purchases.

This was why it was decided to choose M3, the broad definition of money which includes all bank deposits as the main target.

Unfortunately it is very difficult to distinguish in practice between money earning interest in a deposit account which is regarded mainly as an investment, and money regarded mainly as a liquid asset, which is temporarily earning interest in a deposit account.

Moreover, it was discovered that raising interest rates, which should in theory reduce people's desire to hold money, actually increased M3. This was because increased interest payments were automatically credited to many accounts. This is only one of the reasons that M3 has become almost uncontrollable in recent years.

In its review this summer, the Treasury had to face another problem - that some definitions of money could be too easy to control. The non-interest bearing part of M1 comes into this category, because a rise in interest rates would simply cause people to switch money from current accounts to deposit accounts.

Competition from building societies, which are now offering cheque facilities on interest bearing accounts, and the development of interest bearing current accounts, makes the general picture almost hopelessly confused.

the supreme objectives of policy to which all else, including interest rates and the exchange rate, must be subordinated.

During the last three years, this has given way to a much more pragmatic or "seat of the pants" approach to interest rates with three not always compatible objectives - control of the money supply, the maintenance of a "fairly stable" exchange rate, and a growing anxiety that nothing should be done to abort the recovery.

In 1979, when Mr Lawson was Financial Secretary to the Treasury, these objectives were seen to be mutually related, at least for the medium term. The defeat of inflation by strict control of the money supply was the groundwork from which recovery would spring. Monetary discipline, coupled with lower government borrowing, would cut interest rates, while lower inflation would help to stabilise sterling.

Now Mr Lawson presides over a very different economic landscape, with inflation (for the time being at least) much subdued and interest rates strongly constrained by international influences, particularly from the U.S.

Moreover, the alarmingly steep plunge of sterling in November last year emphasised the extremely delicate balance of government policy at that time. It wanted lower interest rates and, perhaps, even some fall in sterling as a help to recovery, but was extremely anxious about the inflationary consequences of too steep a fall in the pound. At some point it would undoubtedly have raised interest rates to defend sterling.

MacGregor reshapes NCB team

By Maurice Samuelson

MR IAN MACGREGOR, chairman of the National Coal Board (NCB), has ordered changes in the top management structure to give him closer control over the day-to-day running of the industry.

A new Office of the Chief Executive has been created and full-time board members are being relieved of some of their executive functions.

The new arrangements resemble those at the British Steel Corporation where Mr MacGregor, then its chairman, worked very closely with Mr Bob Scholey, deputy chairman and chief operating officer. They reflect the fact that Mr MacGregor, who became chairman of the NCB at the end of August, is the first man to take the title as well of NCB chief executive.

Mr MacGregor's senior partner at the NCB is Mr James Cowan, deputy chairman and deputy chief executive. Under the changes, the industry's 12 areas will report directly to Mr Cowan. In the past, the board's full-time directors were each responsible for groups of areas.

The changes, implemented over the past fortnight, could be followed by even more ambitious reforms as a result of an industry-wide study by McKinsey, the international management consultancy.

The study, for which a preliminary report may be ready by the end of the year, is believed to include the possibility of giving the individual areas a greater say in planning and investment.

Rail 'crash' will test nuclear containers

BY DAVID FISHLICK, SCIENCE EDITOR

A FULL-SCALE train crash is to be staged in Britain to test the ability of containers which carry highly radioactive spent nuclear fuel to withstand a serious accident.

The crash will not involve any radioactive materials, the Central Electricity Generating Board (CEGB) said yesterday. It announced it was mounting a new programme of tests on its spent fuel casks, at a cost of several million pounds, in an effort to reassure the public about their safety.

It is also accelerating the phasing out of the last of the original design of cask after the discovery of cracks in scale models used for testing.

The move is the second in Britain within a week intended to allay public disquiet about nuclear safety. Last Wednesday, the Government appointed Sir Douglas Black, former president of the Royal College of Physicians, to investigate allegations of a high incidence of leukaemia among children living near British Nuclear Fuels' reprocessing factory at Sellafield in Cumbria, formerly called Windscale.

The electricity industry sends by rail spent fuel from its nuclear stations for chemical treatment at Sellafield.

The Department of Transport is the authorising agency for this transport. Mr Nicholas Ridley, Minister of Transport, said yesterday the CEGB had notified his department that it would no longer be using its original design of cask after November 14.

The CEGB said that recent drop tests in Cheddar Gorge, Somerset, on scale models of this cask, under conditions which simulated a rail crash at 60 miles an hour or more, had produced "some minor cracks" in welds used to seal the fabricated steel plates.

Since 1979, it had been replacing this type of cask with a forged steel cask costing about £250,000.

As a result of the drop test, the CEGB decided in September to accelerate by six months the withdrawal of the last two of its original 20 casks.

Mr John Baker, CEGB member, said last night that the board planned to carry out full-scale drop tests as soon as modifications had been made to its Cheddar test station, in the first half of 1984. The rail crash would be made using British Rail rolling stock at the end of next year of early 1985.

Full-scale tests on tracks, including a rail crash simulation, have been urged on the nuclear industry for several years by groups opposed to nuclear power. Previously the CEGB has argued that the testing of scale models is a generally accepted engineering practice for highly stressed engineering structures.

A widely publicised film made by the U.S. Department of Energy shows a full-scale crash of a train carrying 80-tonne "nuclear" fuel casks of the type used in water-cooled reactors in the U.S. The casks survived the crash - but little else did.

Fraser set for overseas push

BY CHARLES BATCHELOR

HOUSE OF FRASER, the Harrods stores group, will shortly start its plan to franchise the House of Fraser name overseas.

The aim is to create an international chain of House of Fraser stores in the main world centres. The Middle East, in particular Saudi Arabia, is seen as an attractive market. House of Fraser International will provide managers and merchandise and also train staff.

The group yesterday awarded what is claimed to be one of the largest recorded retail design contracts to modernise 50 of its UK stores at a cost of £100m over the next five years. The contract was won by Allied International Design-

ers (AID), which is involved with House of Fraser in the overseas franchising venture.

Fraser aims to redesign half its UK store chain in response to the push by retailers such as Marks & Spencer and British Home Stores (BHS) into the department store market. Those two companies have extended their product ranges and upgraded the decor of a number of stores.

Mr Murdoch McMaster, Fraser stores director, said the strength of the competition had persuaded Fraser to spend the money. Stores such as BHS and Marks & Spencer had been competing strongly.

Fraser wanted to create an at-

mosphere that would encourage shoppers aged 25 to 45. "We found we were catering for the older customer and in some areas we were too expensive."

AID is part of AIDCOM International, the first UK design group to obtain a quotation for the "united securities market". It won the Fraser contract against competition from Conran Associates, Fitch & Campbell and two New York design teams, CNI and Gerber Bell.

Mr Roland "Tiny" Rowland's London group, which has been trying unsuccessfully to buy off Harrods from the rest of Fraser, had no objections to the store refurbishment plan, Mr McMaster said.

WILSON (CONNOLLY) HOLDINGS PLC

Notice is hereby given of the appointment of Barclays Bank PLC as Registrar. Correspondence regarding the share register and documents for registration should in future be sent to the address below.

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Stena orders £100m vessels on Wearside

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SWEDEN'S Stena Line yesterday placed a £100m order for three highly sophisticated offshore service vessels with Sunderland Shipbuilders, the Wearside yard of nationalised British Shipbuilders.

The contract for the ships, one of which is still optional, follows 18 months of negotiations with the yard which has made great productivity efforts in recent years.

It brings the order book at Sunderland Shipbuilders to nearly £200m, and guarantees work for 1,000 workers at the yard's covered Pallion facility over the course of three years.

"Sunderland probably has the best order book of any merchant yard of British Shipbuilders", Mr Eric Welsh, managing director of Sunderland Shipbuilders, said at yesterday's signing at Stena's British office in Aberdeen.

The 1,850 hourly-paid workers at

the two Sunderland yards, including Pallion, called off a pay strike at the weekend. Mr Welsh said this dispute had not threatened the granting of the Swedish order.

The UK yard was in stiff competition with other European yards. Stena said 32 yards were originally considered.

The British yard's closest competition came from Finland, Denmark, Sweden and West Germany. Sunderland did not offer the cheapest price, but Stena was impressed by its productivity achievements and delivery date promises.

The first ship is due to be delivered in around two years, and the second four months later. Stena operates offshore vessels in Brazil, New Zealand, Mexico, the North Sea, and has one in service with the British Government in the Falklands.

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The Growing State

The second in a series of public announcements.

Privatising British Telecom: a time to deal in facts, not fears.

The privatising of British Telecom has stirred up political controversy. Leaving the political issue aside, there is now an urgent need to clarify the points below in the interests of truth and the customer.

Q. Is it a case of public service versus private profit?

A. No. In a competitive world, profit comes only from giving customers what they want, efficiently. The drive for profit, therefore, must be good for the customer.
As a Public Limited Company, with innovative technical and human resources and freed from Government control, British Telecom must be encouraged to become a major force in tomorrow's world of telecommunications. Anything less will be bad for British industry and the nation.

Q. Can foreign shareholders take control of British Telecom?

A. No. There will be a strict ceiling on the shareholding of any individual or group of individual shareholders, even within this country. And the Government will hold the largest number of shares. Even a UK takeover, let alone a foreign takeover, will be impossible.
Many good opportunities for business growth lie in overseas markets. If shares are quoted on foreign stock exchanges it will aid our prospects of competing in those countries.

Q. Is it true that residential 'phone charges will shoot up, that rural, emergency services and many kiosks will be cut back? And that services for the disabled will be abandoned?

A. No. British Telecom is fully committed to maintain these services. In any case, the Licence under which British Telecom will operate is a legal safeguard of all services for which there is reasonable public demand. With regard to residential charges, the Licence specifically relates increases to the Retail Price Index.

This is the first time in British history that the provision of many telecommunications services will be required by law – a far stronger safeguard than has previously existed.

British Telecom is already one of the most technologically advanced telecommunications systems in the world. It has every intention of going on getting better and adapting to compete in the world market-place.

We shall always have the interests of you, our customer, at the forefront of our thinking.

British

TELECOM Keeping the customer informed.

ENERGY REVIEW

Uranium enrichment: the dilemma facing the U.S.

By David Fishlock, Science Editor

THE INTERNATIONAL nuclear industry is still keenly awaiting the new U.S. commercial strategy for uranium enrichment, first promised last summer. That it should be delayed, however, is no surprise to those who have followed closely the agony of the U.S. Administration as it wrestles with the options for an industry it once monopolised in the non-Communist world.

This was the position as recently as a decade ago, when the U.S. held virtually 100 per cent of this market. Uranium enrichment is the most difficult of all nuclear power technologies and the key step in manufacturing nuclear fuel. It accounts for about 40 per cent of the cost.

In the 1960s the U.S. Government organised its three big enrichment factories—built during and right after the Second World War—into a new state-owned industry supplying enrichment not only to the Pentagon, for which the plants had been built, but to electricity utilities at home and abroad.

Today the U.S. factories account for only some 35 per cent of the non-Communist world market for enrichment. Three competing enrichment operations—Eurodif and Urenco in Europe, and the USSR Government—have nicked up the other two-thirds. Eurodif, through the activities of Cogema Inc., U.S. subsidiary of the French Government's nuclear fuel company, has even tweaked the tail of the U.S. Administration by picking up a couple of contracts from U.S. utilities.

Two separate but closely related decisions face the U.S. Government in trying to meet belatedly what it has come to recognise as formidable competition from Europe. One concerns its future commercial strategy in face not merely of the competition, and an unsettled market, but of a

short-term outlook quite different from the forecasts of a decade ago. The other concerns future investment and the right choice of technology for the 1990s and beyond, when another major expansion of nuclear energy worldwide is confidently being forecast.

The U.S. problem begins with its three enrichment factories, which use the gas diffusion process developed during the war. They underwent a major and costly refurbishing programme during the 1970s, which upgraded the technology and increased their capacity by about 50 per cent.

Today, they are running at 40 per cent capacity, including their contracts for the Department of Defense. No new U.S. reactors have been ordered for five years and scores that were planned, even started, have been cancelled, mainly because of the recession and lower electricity demand forecasts. No fresh U.S. reactor orders are expected for several years yet.

Enrichment is not a tangible product but a physical change wrought in uranium by increasing the proportion of the fissile uranium-235 isotope present. It can be pictured as energy storage, in which electricity is added to the uranium by separating the desired fraction. So the industry quotes capacity in "separative work units" (SWU).

Dr Shelby Brewer, the nuclear engineer who is currently the assistant secretary in charge of nuclear programmes at the U.S. Department of Energy, sees the problem as centring on a secondary market of 30m-40m SWUs "sloshing around" internationally because utilities over-ordered this long-lived item in the mid-1970s. Dr Brewer admits bluntly that this secondary market can undersell any SWUs his factories can produce today. He believes that there will not be a stable market for enrichment again

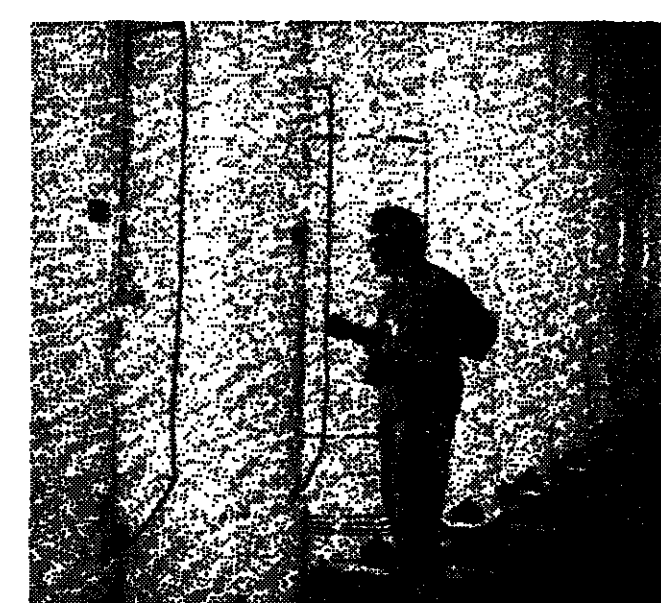
until this secondary market evaporates—and that could mean another five to 10 years. Worse still, as he sees it, if all the enrichment organisations now operating stay on their present growth curves for installed capacity, the surplus will not disappear until the next century.

Somewhat this secondary market must be made to disappear, he says. One way could be for the U.S. Government to buy up the surplus and stockpile, but it would be anathema to the present Administration. Dr Brewer also wants more commercial freedom for his enrichment operation to compete with foreign suppliers such as Eurodif and Urenco. Eurodif, through Cogema, has obtained what it claims are "not token contracts but very significant quantities" for delivery in the U.S. itself from the late 1980s onwards. Moreover, the French are selling enriched uranium, not just enriching a client's uranium—which is all that the U.S. operation is permitted to do.

Cogema is a uranium producer with its own mine, Padirac, in the U.S. No two utilities are alike, says a senior Cogema executive. "Each has its own problems." Cogema can offer what he calls "financial engineering" to get the best out of a given utility's inventory.

This is the kind of flexibility Dr Brewer is seeking for his new U.S. enrichment strategy. So far, the most evident change has been the replacement of Mr William Voigt Jr, who presided over the rise and fall of the business as deputy assistant secretary responsible for enrichment, with Mr John Longenecker, the 34-year-old engineer now running the programme.

Looming just beyond today's problems for Messrs Brewer and Longenecker are the technological decisions. "We've got technological overkill," Dr



The gas centrifuge plant at Portsmouth, Ohio

Brewer reflects, unhappily. Although its refurbishing programme for the present factories is only recently finished, the gas diffusion technology remains energy-intensive. Moreover, the operation is paying heavy penalties to Tennessee Valley Authority for electricity it contracted to buy but which is not being consumed by factories running at only 40 per cent capacity. The U.S. General Accounting Office estimates that by 1992 the operation will have paid \$1.23bn in penalties for unused electricity.

One body of advice urges that the U.S. should phase out this energy-hungry activity as swiftly as possible and restructure its business round more advanced technology, namely the gas centrifuge. This is the technology Urenco, the Anglo-German-Dutch organisation, has exploited to carve itself a modest slice of the international market. Urenco claims its latest

production machines consume only one-twentieth of the electricity of the diffusion process.

At the Portsmouth, Ohio, site of one of its diffusion factories the Department of Energy is already constructing a gas centrifuge enrichment plant (GCEP), usually known from these initials as "geeseep." GCEP is expected to cost about \$100m—it is one of the biggest construction projects in the U.S. It is being equipped with gas centrifuges 10 times as big as those of Urenco, ranked like rows of redwoods as the photograph above shows.

Few engineers would contest the fact that it is a considerable technical achievement to get this new enrichment technology, using machines spinning at supersonic speeds, to this stage. But is it good enough for the problems the U.S. industry faces?

The GCEP technology differs philosophically from that of

Urenco inasmuch as it involves a much bigger machine. Unlike Urenco, GCEP's operations will involve a big repair and maintenance activity.

What is not in dispute is that GCEP's capacity, which will increase present U.S. enrichment capacity by nearly one-third, is not needed. What is in dispute, however, is whether it would improve U.S. chances in the enrichment market if it strove to replace its diffusion capacity with more economical centrifuges as fast as possible.

Complicating any decision is the existence, at least conceptually, of more advanced versions of the U.S. centrifuge—more productive and thus needing less electricity. Those currently being installed are called Set III machines. They are expected to produce their first commercial enrichment in 1988. The Department of Energy talks of Set IV machines ready to be installed from about 1988, and Set V machines from about 1993.

The Set IV machines will be an upgrading of present centrifuges, with perhaps 50 per cent greater output. The Set V machines are seen as a much bigger leap, involving advanced materials and aiming to double the output of Set IV. But development of Set V machines has not yet begun.

Enter at this stage a quite different kind of enrichment technology, which has been making rapid strides in recent years, although no-one yet used it commercially. This is the use of lasers to excite the desired isotope of uranium and thus enable the positively charged atom to be pulled from the bulk of the metal by a magnet.

The big attraction of laser enrichment is that it promises not only to cut down on electricity consumption, as the centrifuge can do, but cut capital investment, its proponents say, to a fraction of that needed for the alternative routes.

In the late-1970s the U.S. initiated a three-horse race between advanced enrichment techniques, two using lasers and one plasma. Last year it eliminated plasma, leaving the laser techniques still in the race.

The leader at this stage is atomic vapour laser isotope separation (AVLIS), developed by the Lawrence Livermore National Laboratory in California. It uses an electron beam to boil a crucible of uranium. The uranium vapour streams in a sheet which is pierced simultaneously by several dozen pulses of laser energy.

At Lawrence Livermore they call it "optical distillation," an apt enough term for a compact and elegant method of separation. The optics are complex but the metallurgical side is simpler than handling boiling uranium may suggest.

Last year the Department of Energy declared AVLIS to be clear leader in the race to get started on the next stage. It authorised construction at Lawrence Livermore of an engineering and economic demonstration of AVLIS by the late-1980s to early-1990s. This leads its proponents to hope for commercial acceptance early in the 1990s.

The laboratory also launched a demonstration of the use of the same technology to enrich plutonium for the Department of Defense. It even uses the same optical engineering, albeit tuned to different frequency. The urgency of the Pentagon's need for more military plutonium means that AVLIS is thus given still greater impetus.

The most optimistic view of AVLIS suggests that the U.S. should abandon GCEP, since there is no urgency to have its enrichment capacity, and await the final proving of AVLIS. It even argues that the main factor, which prevents such a decision today, is the remaining engineering

problems of AVLIS—it admits that a few do remain—but the cost of abandoning GCEP. It estimates that to terminate GCEP now could cost \$3bn to \$4bn, partly in making it sufficiently safe and secure.

This optimistic view of AVLIS is summed up in these estimated U.S. costs from Lawrence Livermore of enrichment by the three technologies: gas diffusion, \$100-120 per SWU; gas centrifuge, \$100-120 per SWU; AVLIS, \$20-30 per SWU.

But not everyone shares the AVLIS proponents' confidence that the technology is poised to leapfrog the centrifuge, and restore the U.S. position in the world enrichment market. More cautious hands say the centrifuge and AVLIS are on different time scales, 10-15 years apart in reality. AVLIS is a potential successor to the centrifuge but not yet ready to displace Set III machines, much less the advanced Set V centrifuges forecast in the 1990s.

Then there are those who say that the competing laser technology which lost the first bid to AVLIS may yet overtake it. This is molecular laser isotope separation (MLIS), under development at Los Alamos. Two industrial contractors, Rockwell and Du Pont, advised the Department of Energy that MLIS enrichment would be double the cost of AVLIS.

But Dr Howard Rosen, top official from the Department of Energy, appearing before a Senate committee, questioned this estimate. MLIS development had begun two years behind AVLIS.

There was "no question that the AVLIS technology is more advanced at this time," Dr Rosen told the politicians. "But prudence dictates that both processes be developed through to the prototype stage," he pleaded. MLIS could prove safer to operate on a large scale, because it handled a familiar gas, not metal vapour.

APPOINTMENTS

Financial post at Co-operative Bank

Mr Peter Layhe, finance director of Edinburgh University, is to join the CO-OPERATIVE BANK as general manager (financial control). He was group managing director of Henry Ballantyne and Sons before joining the university three years ago.

Mr John Mountford, a former director of IML, is to become director general of the BRITISH INDEPENDENT STEEL PRODUCERS ASSOCIATION early next month. He will replace Mr Alec Mortimer early next year on his retirement. Mr Mountford retired from IML a year ago where he was director of overseas sales and marketing.

Mr Peter Hagg, finance director, has been also appointed deputy managing director of PROVIDENT FINANCIAL GROUP.

HAVANA INTERNATIONAL BANK has appointed Mr K. D. Richardson as general manager and Mr D. L. Price as deputy general manager.

Following the acquisition of Phipps Plastic Products by HARRY KLEEMAN, Mr Henry Redford is appointed managing director and Mr Kleeman becomes chairman.

Dr H. Laurence Shaw has been elected to the board of REVLYN HEALTH CARE (UK), which includes Armour Pharmaceuticals Co., and Berk Pharmaceuticals. He joined the company two years ago.

Mr Richard Maule-Ritch has been appointed sales director of CHANNEL NINE VIDEO, Manchester, a company which is pioneering television advertising on a local basis on the large screen video systems it installs in public houses and clubs.

Sir Walter Stansfield has been appointed chairman of CONSOLIDATED SAFEGUARDS on the retirement of Air Vice Marshal Arthur Grimble.

Mr David Benson has been appointed chairman and chief executive of VENICE SIMPLY-ORIENT-EXPRESS. He joins the Sea Containers group from P & O Ferries where he was passenger marketing director.

Mr Roger Hearn has been appointed to the board of MACDONALD as editorial director of the illustrated books division. He was formerly a partner in Hearn and Stephenson, a publisher of illustrated books.

Mr John P. Osborne has been appointed director of the WIP-TON & COSELEY BUILDING SOCIETY succeeding Mr Alec Rhodes who retired earlier this year. Mr Osborne is a director of Midland Cattle Products a subsidiary of Thomas Borthwick and Sons—and manager of the company's factory in Tipton.

Sir Henry Yellowlees, Government chief medical officer, will retire from the public service on March 31. He is succeeded by Dr Donald Acheson who joined the Department of Health and Social Security on October 1 as chief medical officer designate, a post he takes up on January 1 as chief medical officer to the

Department of Health and Social Security, the Department of Education and Science and the Home Office. Sir Henry will continue to be responsible for medical work in the international field until his retirement.

Mr Richard Green will become a director of P & A TRUSTEES, a subsidiary of the Fidelity Trust Group, on January 1. He was with the Guardian Royal Exchange.

PERSTORP WARETITE has appointed Mr Andrew Webb as director of marketing. He takes over from Mr John Smith who continues as assistant managing director.

Ms Josie Fairlie has been appointed sales director (designate) of IAS SMITH AND SONS (CLEANERS), Dewsbury. She joined the company in 1968.

Mr James O'Mahony has joined the military division of FAIRBY ENGINEERING as head of sales and marketing. He was formerly on the defence sales staff of the British Embassy in Washington, D.C. Fairby Engineering is part of Fairby Holdings which forms the engineering sector of S. Pearson & Son.

Mr Michael D. Kingsley has been appointed a director of TWEDDIE FRENCH GROUP.

STONE INTERNATIONAL has appointed Mr D. Leighton Davies as a non-executive director. He recently retired from Royal Electronics where he was deputy managing director of the parent company and chairman and chief executive of the Royal Data Communications Group. He

will continue his association with Royal as a consultant.

Mr Philip J. Gillett has been admitted as a partner in PRICE WATERHOUSE.

REED TELEPUBLISHING, a Reed International subsidiary, has appointed Mr Martin Morgan, managing director of Transport Press, managing director of ABC Travel Guides from January 1. Mr Morgan will be responsible for all aspects of ABC business with particular emphasis on the development of electronic information products for world markets.

Mr Martin Morgan, managing director of ABC Travel Guides

Mr Robin Hutton has been appointed to the new post of director-general of the ISSUING HOUSES ASSOCIATION. He will combine this appointment with his current responsibilities as director-general of the Accepting Houses Committee.

The following have been appointed directors of HELICAL BAR: Mr E. D. Tringham, Mr J. C. Toner, Mr C. Gervase, Mr J. J. Hutton, Mr J. J. Hutton, Mr R. Carline, Mr Tringham, in place of Mr R. J. C. Hill, who continues as managing director.

BASE LENDING RATES

A.B.N. Bank	9 1/2	Haritable & Gen. Trust	9 1/2
Allied Irish Bank	9 1/2	Hill Samuel	9 1/2
Amro Bank	9 1/2	C. Hoare & Co.	9 1/2
Henry Anshacher	9 1/2	Hongkong & Shanghai	9 1/2
Arbutnot Bank	9 1/2	Kingsnorth Trust Ltd.	10 1/2
Armo Trust Ltd.	9 1/2	Kowloon & Co. Ltd.	9 1/2
Associates Cap. Corp.	9 1/2	Lloyds Bank	9 1/2
Banco de Bilbao	9 1/2	Mallinham Ltd.	9 1/2
Bank of Australia	9 1/2	Edward Manton & Co.	10 1/2
BCCI	9 1/2	Messager & Sons Ltd.	9 1/2
Bank of Ireland	9 1/2	Midland Bank	9 1/2
Bank Leumi (UK) plc	9 1/2	Morgan Grenfell	9 1/2
Bank of Cyprus	9 1/2	National Bk. of Kuwait	9 1/2
Bank of Scotland	9 1/2	National Girobank	9 1/2
Banque Belge Ltd.	9 1/2	National Westminster	9 1/2
Banque du Rhone	10 1/2	Norwich Gen. Trst.	9 1/2
Barclays	9 1/2	R. Raphael & Sons	9 1/2
Beneficial Trust Ltd.	9 1/2	P. S. Refson & Co.	9 1/2
Bremar Holdings Ltd.	9 1/2	Roxburgh Guarantees	9 1/2
Brit. Bank of Mid. East	9 1/2	Royal Trust Co. Canada	9 1/2
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Castle Court Trust Ltd.	9 1/2	Trustee Savings Bank	9 1/2
Cayzer Ltd.	9 1/2	United Bank of Kuwait	9 1/2
Charter Holdings	9 1/2	United Mizrahi Bank	9 1/2
Charterhouse Japan	9 1/2	Yokohama Int'l. Bk.	9 1/2
Choulatours	10 1/2	Westpac Banking Corp.	9 1/2
Citibank Savings	10 1/2	Whiteway Laidlaw	9 1/2
Clydesdale Bank	9 1/2	Williams & Glyn's	9 1/2
C. E. Coates	9 1/2	Wintner Secs. Ltd.	9 1/2
Comm. Bk. of Montreal	9 1/2	Yorkshire Bank	9 1/2
Consolidated Credits	9 1/2		
Co-operative Bank	9 1/2		
The Cyprus Popular Bk.	9 1/2		
Imbar & Co. Ltd.	9 1/2		
Dunlop Lewis	9 1/2		
E. T. Trust	9 1/2		
Exeter Trust Ltd.	10 1/2		
First Nat. Fin. Corp.	11 1/2		
First Nat. Secs. Ltd.	10 1/2		
Robert Fraser	10 1/2		
Grindlays Bank	9 1/2		
Guinness Mahon	9 1/2		
Hambros Bank	9 1/2		

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France on the right road

THE FRENCH Left is in a bad way. Its defeat in two municipal elections at the weekend in what used to be called the red belt of Paris were only the most recent in a series of electoral setbacks. The personal popularity of President François Mitterrand is at an ebb; only about one-third of the electorate tell the opinion polls that they believe the President to be doing a good job.

Yet, though the headlines are going the way of the opposition, there are no convincing pressures to make one expect an early change to government policies, whether economic or external, let alone pressures for a change at the top. When Gen. de Gaulle fashioned his republic he gave the president a seven-year term to ensure continuity. President Mitterrand has almost five years to go until he must face the electorate.

There are also almost three years to go before a new National Assembly has to be elected. So there is no special reason on that score for emergency measures to restore the popularity of the Left. More important, there appears to be a widespread national consensus behind the economic policy of "rigour" and behind the Atlanticist foreign policy adopted by the French Government.

Economic rigour

Under these circumstances, there is every reason why the Government of M. Pierre Mauroy, under the ultimate guidance of the President himself, should persist with economic rigour. Present indications are not unpromising. The inflation rate has been coming down, though the likely result of 8-9 per cent price increases in 1983 is more than the Government had originally hoped for. The current external account has come into slight surplus during the third quarter, and the balance of trade has been improving, not only because recession has throttled back imports, but because French exporters have been gaining market share abroad.

None of that means that the economy is out of the woods yet. Much remains to be done as can readily be seen from unemployment of 8m and an estimate of the Government's own forecasting agency that more than 400,000 French industrial jobs will have to go during the next five years to reduce over-manning.

Nor is the battle against inflation won. Forecasts for next year range between inflation rates of 6-10 per cent. Even if

one accepts the lower figure, France will still be performing significantly less well than its competitors, principally the Germans. This may cause pressures to build up for yet another devaluation of the franc. Neither France nor its Government can profit if such pressures are re-inforced by a lax economic policy at home.

Of the forces that count in French politics only the Communists and the Left-wing of President Mitterrand's Socialist Party, chiefly the Ceres group, are likely to take the opposite view. Ceres made its influence felt in the party conference at Bourges-Bresse in October, but caused much less of an impact than it had hoped for.

High unemployment and the declining purchasing power of the wages of French workers might be expected to give the Communists plenty of opportunity to fish in troubled waters. But though they have attempted to dissociate themselves as much as possible from economic rigour—and for that matter support for the deployment in Europe of U.S. intermediate range nuclear missiles—they have been careful not to overstep an invisible line.

It is the line beyond which they cannot go if they wish to remain serving in the Government. As ministers they may hope to acquire the aura of respectability that all Communist parties banker after in an essentially bourgeois western Europe.

In any case, the Communists are in enough trouble of their own. The progress of the neo-fascist National Front at Dreux in September and at Aulnay-sous-Bois on Sunday was achieved largely at the expense of the Communist Party.

What Marx called the Lumpenproletariat, meaning working class people of uncertain political affiliation, deserted the party in areas where the presence of large immigrant labour forces from North Africa has given rise to racial tension.

Disquieting though the performance of the National Front is, it should not be given too much importance. Extremists of the Left have been turning into extremists of the Right. The National Front does not appear to have the potential for more moderate groups.

All things considered there are elements making for political stability in France outbalance those making for the reverse. The such that economic rigour can and should be given time to work.

The CBI grows more bold

THE CBI demonstrated two signs of health at its Glasgow conference: a certain independence and a growing diversity.

The independence was most clearly demonstrated in its debate on Monday on the UK economy and on public expenditure. Speakers came to the rostrum not to praise the Government, whose re-election they had strongly endorsed, but to tell it that monetary prudence is not enough and that they and their workers were suffering.

Sir Terence Beckett, the CBI's director general, formally proposed that "we establish sustained growth as well as low inflation as joint objectives." Mr Michael Mallett, of James Neill Holdings, was sharper; he castigated unemployment as the "ultimate economic sin" and laid into the pseudo-Fordist-manuscript of the "lump" which he detects as still holding sway in Treasury circles.

Others were tougher still: Mr Michael Hearn, who manages an aluminium wire company in Swansea, talked of industry "bleeding to death"; Mr Michael Fordy, a Stockton builder and a former president of the National Federation of Building Trade Employers, told his colleagues they had "every right to be appalled" by the Government's failure to provide an economic environment in which they could flourish.

The CBI did stay firmly on the debate: the message which Sir Terence and Sir Campbell Fraser, the CBI president, want to put across when they meet ministers in the pre-budget consultations is a careful one, intended to encourage the patchy recovery which they hope will last. But the members' comments and the CBI's preferences appear bound to result in a relationship more publicly critical, more concerned to feed through the members' unease than it has in the recent past.

Sir Terence and Sir Campbell, upset by suggestions that they and their members were whinging, stressed yesterday at the end of the conference their determination to help themselves and tried to give the impression that little or nothing

in their approach to government had changed. It has, however, and for the better, though of course it is easier to be critical of a government which has several years to run than one facing early elections. The government should get a view from the CBI which is robust and as far as possible in such a diverse organisation—representative of its complaints and pleas as it may not be susceptible to accommodation within the Government's overall strategy—but ministers should be forced to argue through the case why they are not. The CBI has occasionally shown a tendency to be critical of a government, but the Institute of Directors consistently does so of appearing to tell the government what it wants to hear. Its members are not well served in that, and their debates in Glasgow gave their leadership notice that they knew it.

Diversity

Glasgow also demonstrated diversity. Some members are still doing badly, some are doing well; some are exporters who want trade reciprocity, some are importers who think such a goal is impossible. Some think centralised wage bargaining has merit, others that decentralisation is all. Such a diversity strongly expressed is an excellent thing if difficult to wrap up in a coherent message. It demonstrates the CBI conference's growing importance as a forum of intelligent business discussion—though one with much room for improvement. Company directors remain inhibited by company considerations from being controversial—but are beginning to ask themselves if they should not be less so in the interests of sharper, more accurate debate.

The bland no longer always lead the bland: the song rendered by one exuberant delegate yesterday morning could be indicative of a more adventurous spirit. The tough ethos of Glasgow may have assisted that: we hope that the CBI's return to Eastbourne next year will nevertheless see a confirmation of that trend.

"If we don't improve, then we go absolutely," says Mr Graham Day, chairman of British Shipbuilders. "Nothing will be saved. The challenge which now faces the new chairman of state-owned BS is stark. He must decide whether large-scale merchant shipbuilding any longer has a long-term future in Britain and, if so, how much of the merchant industry should survive against a woeful background of poor order books, intense international competition and vast world over-capacity—currently estimated at about 40 per cent.

Three developments have lightened the gloom a little in the past week. Yesterday BS announced new contracts worth £100m for two sophisticated offshore ships and an option for a third from Sweden's Stena Line. And last week, after a marathon 14 hours of talks, shipbuilding union leaders abandoned plans for a national strike and agreed to a new, potentially far-reaching productivity deal.

Meanwhile, on the profitable warship-building side there was also a new contract. The Ministry of Defence awarded a £100m submarine order to the Vickers yard in Barrow-in-Furness.

But that about exhausts the list of good news. The Swedish order is just the kind of high technology, advanced-design contract which all European yards are chasing in their effort to keep in the race with the Japanese and the South Koreans. BS has yet to prove that it can build such ships successfully and profitably.

The productivity deal is crucial, but here, too, there are problems. Mr Day recognises that it may yet be turned down

on the shopfloor. Its defeat would be a further blow to BS's already battered credibility and would strengthen the hand of those in the Government who argue that Britain should get out of merchant shipbuilding altogether.

Two months into the job Mr Day is the first to concede the size of the problem. "I get most of my exercise prowling around the office," he says with a smile, and he has indeed been working at a punishing pace since he took over. It is early days, but his affable manner and classless Canadian accent—his grandfather was a tailor's cutter in the East End of London—have already had an impact on the union leaders who face him across the bargaining table.

The core of the problem is that BS—which was nationalised in 1977—currently employs around 60,000 people and recorded a trading loss of £117m in the year to March 1, 1983, is far behind in the world productivity league. The corporation says that yards in Finland, West Germany, France and Denmark

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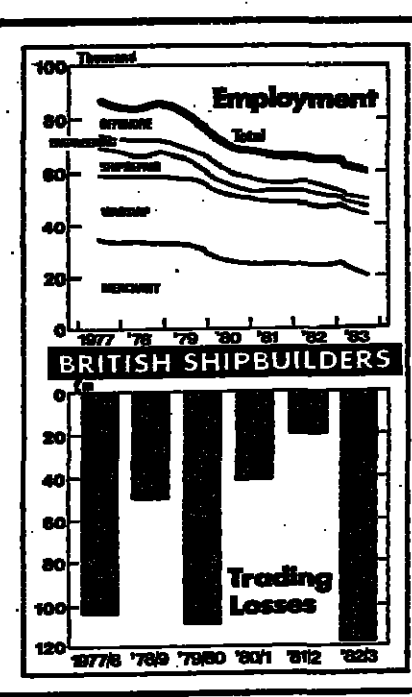
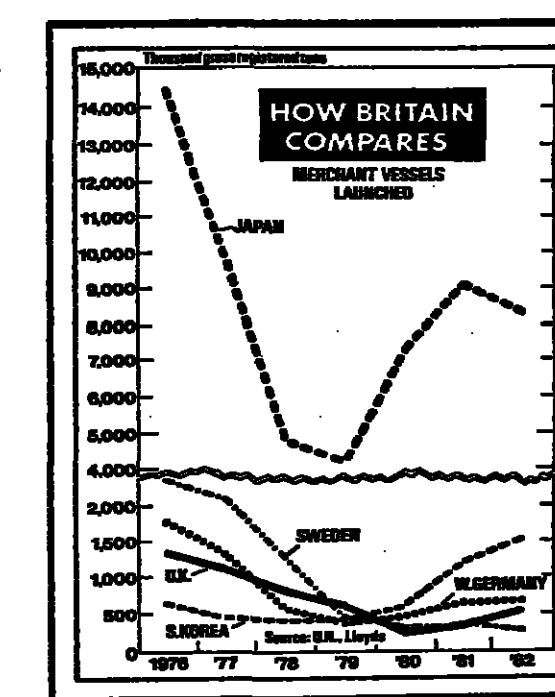
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Marion Sadger

have a productivity lead of between 30 and 50 per cent. And in the Far East the lead is much greater.

The answer, Mr Day believes, must be radically to alter the whole way in which ships are built. This means that the craft basis on which BS has operated—rigid demarcation lines, fierce protection of skills and the like—has to be altered.

"We've got to get from a craft to a systems basis," says Mr Day. "The first two at least, also, we couldn't compete on bulk carriers with the Japanese and Koreans."

But the yard's notable progress on productivity has not been without its strains. A pay strike of the 1,850 hourly workers was called off at the weekend and its continuance would clearly have been

embarrassing when the order was announced. It stemmed, says Mr Welsh, from problems over smoothing out pay and overtime differentials as new, flexible plant-based working arrangements came in. These were introduced in advance of last week's national productivity deal.

Swan Hunter, The Tyne-side yard—one of those which produce both naval and merchant ships—had problems last year with late merchant deliveries and made a large loss. But it is striving under Dr. Ken Chapman, who became managing director earlier this year, to boost productivity. Here, as much as anywhere in the corporation the newly negotiated productivity agreement could have a major impact.

Like some other BS yards, it has Japanese experts from the mighty Ishikawajima-Harima Heavy Industries (IHI) advising on accuracy control for steelwork. It has enough

merchant business until 1984, including the slightly delayed replacement for the Atlantic Conveyor container ship, lost in the Falklands. On the naval side it is busy until 1987.

BS's first priority, says Dr Chapman, is to cut out wasteful practices rather than to make men do jobs for which they are not trained. "We're not taking a happy families pack of cards with each trade on them and throwing them up in the air and picking them up again," he says, well aware that it is going to take time to alter

BS: THE FALLING MERCHANT ORDERS	
	1983
Total order book at September 31	\$471m
New orders in first nine months	\$158m
New orders in third quarter	\$54m
(Warship orders total around £28m and offshore orders £250m)	

British Shipbuilders



BS's Graham Day

in Newcastle, describes the idea of the revised working practices at BS yards as "blurring the lines slightly." Demarcation is not dead, but the productivity agreement—without which the agreed extra £7 a week will not be paid—marks "a considerable step forward" towards its relaxation.

Scott Lithgow. This is BS's lead yard for the building of offshore drilling exploration and support rigs—Merseyside's Cammell Laird is the other—and has had enormous trouble adapting to this role. An £88m drilling rig for Britoil 12 years behind schedule and the oil company is threatening to cancel the whole deal. The yard itself made a massive loss last year, pulling down the whole BS result.

Mr Day says that the new productivity deal could be such to prevent any possible cancellation of the order. The Clyde-side yard is under 30 days' notice from Lloyds Leasing, financing the rig, to prove it can deliver by January, 1985.

The yard has already been paid £2m for the rig, with another £40m due by the end of this year and the rest later. It is widely expected that cancellation of the order would lead to closure of the yard, with disastrous consequences for employment in the area—it employs nearly 5,000 people.

Workers in these three yards and throughout the Corporation have already been warned by Mr Day, who used to run the Cammell Laird yard on Merseyside before the whole industry was nationalised that losses in the 1983-84 year will be around £100m. "I believe the total BS losses will start going down in 1984-85. It will depend on improved competitiveness and the market recovery how quickly we get to zero."

Mr Day admits that some yard closures in Britain are inevitable. "If there's no way we can persuade an owner at a

commercially acceptable price to us to order in yard X and that yard runs out of work, I don't know what one can do to keep it open. Redundancies have already taken place this year. Over 3,000 workers went voluntarily after the former chairman, Sir Robert Atkinson—17 years older than his successor—said in March that up to 5,000 more jobs could go altogether. Another 2,100 redundancies are set for the rest of this year, and 3,000 more jobs could still be at risk by next March if not enough new merchant or offshore business comes in."

Three smaller yards, Henry Robb at Leith in Scotland, Clelands on the Tyne, and Goole Shipbuilders, have nearly finished their last orders. They employ nearly 1,500 people between them and though new business is urgently sought, their fate is uncertain. Another 1,400 jobs could go at Tyne Shiprepair, unless a management buy-out aimed at saving £50 of them is accepted by the workforce.

Mr Day insists there is no fixed list of yards to be closed. But he says: "With the market as I see it, wherein demand for products is less than our capacity, I have great difficulty in seeing our present capacity continue in being."

If the market does turn up slowly and patchily from around the middle of next year, the hope is that the productivity deal will have had an initial impact on BS's lagging competitiveness.

"The hopeful net result will be a progressive reduction in losses and a stabilised employment level, does it not mean what I couldn't guess now," he says. The need for government support, which has totalled

some £780m since 1979, should then ease off.

"The Government expects this organisation to operate commercially and it expects me to be a good manager," said Mr Day. BS's external financing limit—the ceiling on the amount that is allowed to borrow from all sources—is to be raised from £800m to £1bn by the Government, with provision for a further rise to £1.2bn, much of the new money going on modernising Vickers' submarine facilities.

Mr Day firmly believes that success springs from 90 per cent perspiration and 10 per cent inspiration. This was true, he says, when he worked in music shows on Canadian TV and radio, as well as carrying out his daily legal practice.

And it applies to shipbuilding, or any industry. "All of a sudden you might have a flash or an insight, great and so—but if the other guy's got his head down and is just slugging, he's likely in the end to be more effective." To turn round BS, the hard slog will be needed for some years.

Men & Matters

Company men

Having been named yesterday as French manager of the year—a prestigious award given by the weekly newspaper *Nouvel Economiste*—M. François Dalle, aged 65, chairman of the cosmetics and health care group L'Oréal is to step down next year.

He will be replaced by Mr Charles Zviak, the present vice-chairman, who, like Dalle, has worked all his business life with the group.

Long service is highly prized at L'Oréal. Dalle said yesterday that of 13 top executives, 11 had only worked for that company.

Which makes it easier to understand why a rising Welsh executive is expected to succeed Zviak in this French company in about four years' time. He is Lindsay Owen Jones, aged 38, who is shortly to become managing director of the group, in which Nestlé has a 24 per cent stake.

Next day the Washington Post carried a headline—"President Reagan can't swim."

Richard Pettit is managing director of Vaux Breweries of Sunderland, and he is the only man who managed to rouse the CBI delegates from their well-bred languor during a day-and-a-half of debating in Glasgow.

Mind you, he had to work for it. He put on a tartan bonnet, threw back his head, and belted a song. It was, he said unnecessarily, to illustrate the benefits of communicating.

He displayed the hearty musicality which befits a senior executive of a brewery.

The lyrics, sung to the tune of *Blaydon Races*, will not win prizes. But they went down well enough among delegates grateful, indeed desperate, for light relief.

Stepping out

I hear from Washington a tale (entirely untrue) that the president invited selected members of the national press on his yacht. When they ran short of Scotch he walked across the waters half a mile to the shore, bought a bottle and walked back again.

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One verse went: "Terry Beckett he was there, He started the first day, He let go his immortal phrase, why, no, chap, by the way, And as the hall erupted with comments and some chuckles."

Someone said the immortal words: "I think it was 'bare knuckles'."

Sir Terence (Director of the CBI) managed a smile at that. Much as he hates the fact he cannot shake off the pugilistic phrase he used towards the Conservative Government at the start of its first term.

Holding tight

Leslie Chapman, author of two highly controversial books on waste in the Civil Service and London Transport, came out of the woods yesterday to support AMOS—the company which wants to run a fleet of mini-buses across London—at the public inquiry, ordered by Transport Secretary.

Chapman, an ex-LT board member, now carries on his one-man campaign against LT's "inefficiencies and inadequacies" from a retreat in mid-Wales. But his rustic surroundings have done nothing to blunt his vitriolic view that LT's management is blind to making savings in the organisation, in spite of the management changes that have taken place since his departure from the board.

He maintains that the management is still "poor and incompetent" and that competition offers the only real hope of the longer-term, some improvement in transport services in London.

Chapman's enthusiasm for competition for LT outweighs any consideration of the viability of the AMOS plan. He had not even met AMOS

director, Anthony Shephard, before this week.

Shephard, who set up Hong Kong's mini-buses, is conducting his own case at the inquiry in Central Hall, Westminster. His counsel, Nicholas Lyall, withdrew on the opening day because he had had insufficient time to prepare the case. LT has already rejected the AMOS plan following an earlier inquiry when the independent inspector concluded that it would be "folly to implement it."

Folded tents

Big money will be involved when the American evangelist Billy Graham returns to Britain next year with a new crusade.

The local purveyors of purity expect the foreign competition to hit them hard in the pocket.

Dick Saunders of Sussex, who does more tent crusades than any other British evangelist, finds that for the first time in 27 years he has three months next summer without bookings. It is, he says a "tragic waste" for his tent and associated equipment to lie idle.

There are an estimated 500 full-time evangelists touring the U.S. at any one time. But the British market is much smaller and will find it difficult to move over to make room for Dr Graham.

Saunders, asked to comment on the Graham mission, came up with a form of words to which no competing evangelist could possibly take exception: He calls for prayers for Dr Graham, but also for "the many evangelists across the land whose work has been seriously affected by the Graham mission and its very heavy financial cost."

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Observer

THE NETHERLANDS

War over the wage cuts

By Walter Ellis in Amsterdam

HEAVY LORRIES by the hundreds, motionless on the highway, laden with goods worth millions of dollars, are the latest symbol of the dispute over proposed public sector pay cuts which is now paralysing the Netherlands.

The vehicles—vital to the unusually open Dutch economy—are being prevented from passing freely into West Germany and Belgium by the action of customs officials. Every cargo is laboriously inspected: every licence checked.

The officials' work-to-rule, which began on Monday, is part of a nationwide response by more than 700,000 Dutch public employees to the government's plan to reduce their wages by 3 per cent from January 1.

They are outraged by the intended measure, which represents the first attempt by any European administration to move beyond mere pay freezes and impose actual cuts in income.

"If this campaign goes on it means war," one frustrated driver remarked on Monday as he sat in his cab among a long column of lorries backed up on the crossing-point to Antwerp. He may have a point. The public is not pleased about the disruption it is having to face. One swing-bridge operator in Rotterdam was pelted with

bricks and bits of metal last week when it was thought (wrongly) that he had begun a protest.

Elsewhere, civil servants are staging a series of one- and two-day strikes. Trains, trams and buses are halted in many areas, and post office and telephone staff are either on strike or working hesitantly to rule. Deliveries of mail have been halted. Rubbish is not being collected in some towns. Even the police force is involved (though it has given an assurance that all essential tasks will be performed).

Most ominously of all for the Dutch, the giant port of Rotterdam—the largest in the world—faces strangulation as its public sector staff gradually join the campaign.

How did things come to this? In the Netherlands, wage talks, like labour relations generally, have been conducted on a markedly civilised and rational basis for many years. Strikes have been few and localised. Through the system of works councils, sectoral negotiations and price compensation (the index), pay rounds have invariably been concluded each year with little rancour and very little "them and us" feeling among workers.

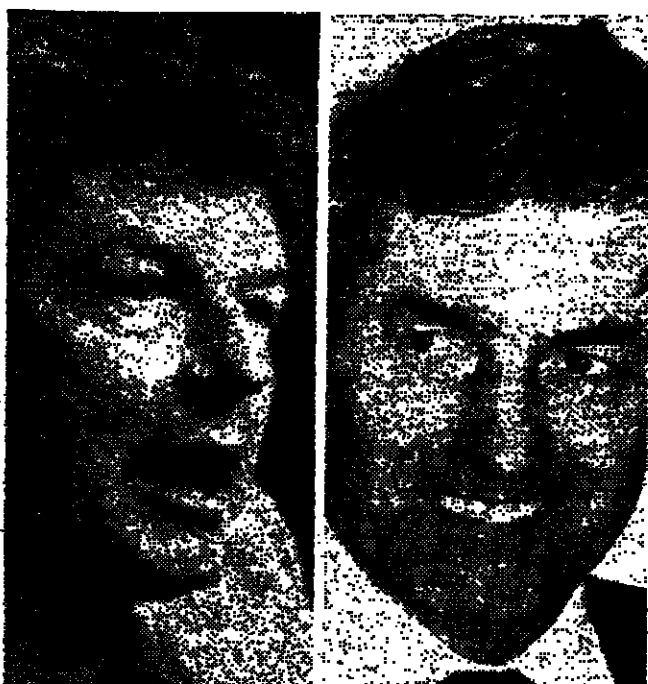
The smooth running of this system was, however, always predicated on an assumption of economic growth and continuing prosperity. Today, despite tentative signs of the beginning of recovery, the economy is in trouble. Exports of natural gas have helped maintain a healthy surplus on the current account of the balance of payments (F1 8bn—F1.5bn—to the end of June) but in order to bridge the widening gap between state expenditure and revenue the government expects to have to borrow F1 33.4bn this year, and the 1984 budget looks ahead to borrowing of F1 38.9bn—11.7 per cent of national income.

Mr Ruud Lubbers, the Christian Democrat Prime Minister, and Mr Herman Onno Rindling, the Finance Minister, have fixed 7.4 per cent of national income as their borrowing target for 1984.

Cuts in public sector pay between now and then are crucial to their programme. Over the next three years, it is intended that wages in their sector should decline by at least 10 per cent against 1982 levels.

From the union standpoint, things look very different. Over the past 12 months, they have seen the sanctity of the index repeatedly violated, by Government and private employers alike, so that inflation (admittedly running at a mere 2.5 per cent) is rarely now taken into account when fixing new rates of pay.

Public sector wages have been frozen at the 1982 level since January 1. At the same time, nearly 1.5m public and private sector employees have endorsed the principle of reduced pay in return for a shorter working week. By 1985 the standard working week for a majority of Dutch workers could be 36 hours, while the target for the



Mr Wim Kok (left) head of the FNV trade union, who is leading the fight against the government's wage cuts; right, Prime Minister Mr Ruud Lubbers

civil servants is 32 hours. The unions appreciate the problem that there are not enough jobs to go round under the 40 hour week and that cutting working hours will help share them out—but they are concerned about being pushed too far too fast.

The unions are very anxious about unemployment, which has more than doubled in the last 18 months. It now stands, under EEC definitions at an unprecedented 16 per cent of the labour force, worse than the UK and among the worst in Europe.

Such a background is not conducive to relaxed negotiations between government and unions.

The present government—a centre-right coalition of Christian Democrats and Liberals—took office last November on a platform largely comprised of austerity measures. So the unions have known all along that they could expect a rough ride. But what has surprised them is the cabinet's determination to see their programme through.

Mr Lubbers is known to be an admirer of Mrs Margaret

Thatcher's style and prodded by the Liberals, he has made balancing the nation's books, maintaining a low rate of inflation and restoring company profitability his three top priorities.

Talks over the public sector pay cuts have been going on at various levels for months. It was only when ministers showed an unwillingness to compromise, however, that union leaders awoke to the need to act tough themselves. They are hindered by the existence of two union federations, the bigger, hard-line FNV—headed by Mr Wim Kok—and the smaller, Social Christian CNV, which is less inclined to strike and prefers to keep negotiations going.

The present campaign gathered momentum, they held together well, putting a united front based on joint indignation. This week, the CNV have shown signs of strain and is evidently less keen to make the actions a make-or-break affair. Significantly, thousands of public employees have shown where their sympathies lie by transferring from the relevant CNV union, the CFO, to the

tougher FNV version, Abva-Kabo.

One further complication concerns the social welfare system. It is planned to cut most welfare benefits by 2 per cent from January 1, and the unions are pledged to resist this on behalf of the unemployed and the disadvantaged, such as single parents and the handicapped. Unfortunately for the success of this strategy, the rank and file members are more concerned about their wages, just as the private sector members are too concerned about the disruptive effects of the strikes to back the public sector workers. Little love is lost all round in this dispute.

Mr Koos Rietkerk, the Home Affairs and Civil Service Minister, who is handling the day-to-day negotiations on behalf of the Government, has so far made just one concession. The cuts, as originally envisaged, were to have been 3.5 per cent. By reducing the figure to 3 per cent, most workers would find, he argues, that their net incomes would not really be affected.

His theory—rejected by the unions—is that a parallel cut in contributions to the social security system would hold net salaries for the majority at something like this year's level. This tempting interpretation does not, of course, take into account the minority of workers who would see their salaries

Reducing wage costs would be a great victory for the government

drop and nor does it do anything to mitigate the effects of the further cuts planned for 1985 and 1986. After a year's pay freeze, the unions are, in any case, in no mood to give further ground.

Mr Lubbers and his colleagues have said several times as the union campaign has spread that they intend to stand firm. It would be a great victory for the government if it could reduce its wage costs in cash as well as real terms. A compromise—say at 2.5 per cent—but even then the Prime Minister would feel it had been a good month's work.

TOTAL EXTERNAL debt of 32 selected developing countries now amounts to around \$720bn. It is projected that with an increase of about 6 per cent per annum this figure will reach approximately \$810bn by 1987. The amount due to commercial banks now stands at \$470bn. A large proportion is due from the large Newly Industrialised Countries (NICs), like those of Latin America, which face severe problems.

Solutions to the problem of international debt have been suggested by a number of people. These schemes range all the way from outright purchase of the loans by governments to the establishment of long grace periods and guarantee schemes which would allow both lenders and borrowers time to alleviate their problems.

None of these schemes, unfortunately, can be adopted without the political will of the countries of the Group of Ten, and there is nothing to show that any action in this direction is forthcoming. The present approach is to handle the debt problem within the existing institutional framework, on a piecemeal basis, facing each situation as it comes—not the best solution but the only one available, since no one is willing to finance a better alternative.

One must look, therefore, for ways to lessen the burden. In this connection, it would be helpful if the lending banks of countries with convertible currencies were to convert their loans to their own currencies as they negotiate the rescheduling of those loans. They can do this through the multicurrency option clause in almost all loan agreements.

As the dollar was, and still is, the major currency of international transactions, more than three-quarters of loans extended are denominated in that currency. To enter into these loans, non-U.S. banks borrow from the inter-bank markets on every interest-fixing date in order to refinance these commitments. The main intermediaries in the inter-bank market are the large U.S. banks.

So, in the event that a large

International Lending

Debt: time for other currencies to help

By Minos Zombanakis

It would help to define the responsibilities of the lenders of last resort by contributing to a better understanding of how the system must be supported if something unforeseen occurred. For example, German banks can denominate their loans to Brazil in deutsche marks, and if something were to happen to Brazil the German central banks would act as lender of last resort to their DM-denominated assets.

Right now these banks have to concern themselves with "dollar availability" at every interest-fixing date and, on top, they are not very sure who is to act as lender of last resort to their dollar assets. The same is true for the Japanese banks, which are probably the second largest group of international lenders after the American banks.

Governments and central banks of the countries in question are likely to object to this suggestion on the grounds that it exposes their currencies as a reserve asset to a much greater degree than they would wish.

However, today we are not in a perfect financial world, and surely the least these countries can do is to share the burden: their central banks must be ready at least to stand behind the loans of their institutions denominated in their own currencies. It may be dangerously misleading to believe that the Federal Reserve will bail out dollar-denominated assets of other countries. Closer examination of the intricacy of the inter-bank market and the U.S. attitude in this respect does not support such complacency.

For the borrowers the gain could be appreciable. They would switch away from the dollar to a certain proportion of their loans and this would mean immediately a lower rate of interest. They may incur a theoretical foreign exchange risk, but this can be assessed only when the principal of the loan is to be repaid in the years to come. In the meantime, they would enjoy the difference between two interest rates on the dollar and the yen, for example, which today could be as much as five points.

Technically they can do this on any interest-fixing date. It is true that the option to select the currency belongs to the borrower, but a switch of currency could be done by mutual consent as it would benefit both parties.

The immediate effect of the switch would be to decongest the inter-bank market by decreasing the demand for dollars required to roll over outstanding loans. It would reduce the pressure on that currency as well.

Mr Zombanakis is an international banker with long experience of the financial system.

Public sector wages should decline by at least 10 per cent over three years

bricks and bits of metal last week when it was thought (wrongly) that he had begun a protest.

Elsewhere, civil servants are staging a series of one- and two-day strikes. Trains, trams and buses are halted in many areas, and post office and telephone staff are either on strike or working hesitantly to rule. Deliveries of mail have been halted. Rubbish is not being collected in some towns. Even the police force is involved (though it has given an assurance that all essential tasks will be performed).

Most ominously of all for the Dutch, the giant port of Rotterdam—the largest in the world—faces strangulation as its public sector staff gradually join the campaign.

Letters to the Editor

Privatisation of British Telecom

From Mr Alan Chamberlain
Sir—British Telecom in its full-page advertisement (in the Financial Times of November 7) says that a future private Telecoms Business will maintain British Telecom's existing policy on the provision of uneconomic services, such as telephone kiosks, emergency and rural services, and BT board's current policy of price restraint, and that these policies will be guaranteed by law and the provisions of the licence (yet to be granted to BT).

These assurances do not hold water. How can the board of British Telecom, a currently nationalised industry, give assurances that bind a new board of a private telecommunications chairman of the BT board, Sir George Jefferson, who cannot, as the advertisement states, "be bound by his predecessor's policies and changed them quite radically. Indeed, what new chairman worth his salt would be prepared to take up the post with such restrictions placed upon him? Is it even fair for a currently nationalised industry to endeavour to foist its policies on a future privately-owned enterprise dedicated to taking commercial decisions rather than dictats from Government about what service it should provide and for whom?

Neither are the "requirements" in the new BT Bill as watertight as is being suggested. The Government has not explained how BT plc's pricing policy will be constrained beyond the vague "RPI-X" formula. What is the "X" going to be? To which services will it apply? Or will it apply to an average of all tariffs and charges which will allow for considerable and radical re-

scheduling from big business to the ordinary customer?

The "guarantee" in the BT Bill and in the licence to maintain rural services also provides a major loophole for any private telecommunications company including BT PLC. How will these guarantees ensure adequate investment in these services in the future? The vague Government concept of "access" charging has been shown not to work in America. Our study "The American Experiment" which we have just produced, demonstrates clearly that AT & T (or Ma Bell) following the removal of its monopoly, swiftly acted to divest itself of its loss-making services and eschewed its public service commitments for commercially based decisions. The result, increases in customer charges of up to 300 per cent and a reduction in rural services.

It is interesting to note that BT, in their advertisement, have not even mentioned the Defence issue. We have previously asked the question of how BT's huge involvement in the defence network is to be managed under a fragmented private company. There has been no answer to this, either from BT or the Government. Yet it is a serious and important question. It is one that we have not thought it through?

Because BT cannot satisfactorily answer the questions we are posing, they are now launching a major misinformation campaign and all on public money in support of the political ideology of privatisation for its own sake, and the devil take the hindmost.

Alan Chamberlain.
British Telecommunications Unions Committee,
14-15, Bridgewater Square, EC2.

Support for plane makers

From Mr Hubert Scholes,
Sir—Geoffrey Owen (Lombard November 4) is right to call for a public debate on support for civil aerospace. Our involvement in the industry has been an economic disaster ever since the war, as reports by the Public Accounts Committee—ignored by successive governments—have amply demonstrated.

Big civil aircraft and engine projects demand heavy development costs and only a handful of companies can take them on; the leaders are American and enjoy a built-in advantage in their home market. In this situation British manufacturers, despite their acknowledged technological skills, are at a permanent economic disadvantage. For the foreseeable future we must expect a continuing need for government subsidies.

It is signed, no doubt, by the name of launching aid—they are to remain in the business. The direct cost—hard as it is to justify at a time of public expenditure restraint—is not the whole story. Because these industries are technologically

advanced and exciting, they have attracted a disproportionate share of our best engineering talent, which might have been far more usefully employed in bringing some of our medium-technology companies up to date.

Certainly jobs are at stake, and one could hardly contemplate withdrawing all support overnight. As a first step, responsibility within government for Rolls-Royce and British Aerospace might be transferred to the Defence Department, on the basis that all public funding for civil work would be a charge on the defence budget (which would in return benefit from any ensuing profits). This should help to sharpen decision taking and encourage the companies to seek out gaps in the civil market which could be profitably exploited in association with their military business. Instead of setting sights on more glamorous, but inevitably loss-making, large projects.

Hubert Scholes,
5a Lancaster Avenue,
Farnham, Surrey.

Constitutional challenges

From Dr George Winterton
Sir—In "Crisis Foes UK Constitutional Future," discussing the Grenada invasion, your political correspondent compared the positions of the Australian and Grenadian Governments-General. She referred to the Australian Governor-General's dismissal of the Prime Minister in 1975 and implied that his action was "later upheld in successive legal challenges" (Oct 28). With all respect, that is completely incorrect. The Governor-General's dismissal of the Prime Minister was never considered by any court of law. Moreover, the preponderance of informed Australian comment on that affair holds that the Governor-General's action was contrary to constitutional convention, and was probably unlawful as well.

Slow work by Telecom

From Mr Oliver Lever
Sir—Towards the end of last August, on the understanding

that the work would be done within three weeks, I gave an order to British Telecom to install two socket extensions in my house. I was told I would receive a letter telling me when it was proposed to call and do the work.

Ten days later I did indeed receive a letter saying that the work would be carried out as soon as possible. Eight weeks have passed and I have heard nothing more. However, inquiries of the two sales offices in Nottingham resulted in assurances that orders given now would be completed in two or three weeks.

Is my predicament, as I suspect, the result of some administrator's blunder or, now that one's own apparatus may be fitted, am I being victimised for failing to include in my order a BT telephone? Whatever the reason, it does British Telecom no credit.

Oliver Lever,
Blackacre,
Park Road,
Flintshire, Nottingham.

Life value of a non-smoker

From Mr Patrick Cross
Sir—Will Eagle Star be offering non-smoker discounts on life assurance policies? Patrick Cross,
70 Brook Street, W1.

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POWER STRUGGLE REACHES CLIMAX AT GERMAN ENGINEERING GROUP

GHH board replaces its chief

By John Davies in Frankfurt

THE POWER struggle in GHH's boardroom has reached its climax yesterday with the departure of Dr Manfred Lennings as chief executive.

He was replaced as head of the group, which has annual sales of nearly DM 16bn (\$8bn) - by Dr Klaus Götze, a former executive of the Flick industrial group and of Allianz, the insurance company.

The management change at GHH was touched off by the troubles of its biggest subsidiary, Maschinenfabrik Augsburg-Nürnberg (MAN).

MAN made a DM 300m operating loss last financial year, mainly because of a slump in sales of trucks and marine diesel engines.

Dr Lennings wanted to step in personally to tackle MAN's problems but met opposition among leading shareholders and so offered to resign.

The complex struggle to influence the future of one of West Germany's biggest industrial companies was played out in a tranquil setting on the outskirts of Frankfurt.

The 20 members of GHH's supervisory board, representing shareholders and workers, made their decision at a two-hour meeting, while Dr Lennings, Dr Götze and other top-level managers waited in an adjoining room.

The meeting marked the end of an era at GHH in a number of ways.

Dr Lennings, still only 40, has put a strong personal stamp on GHH over the past eight years, where he has built a reputation as one of West Germany's leading industrialists.

Moreover, his replacement brings about a change in the regional balance of power within GHH - in a country where regional differences at times play an important role.

Dr Lennings was born in and identified with the old industrial heartland of northern Germany where the ironworks which developed into GHH emerged in the 18th century.

Dr Götze is more associated with Bavaria, where the MAN subsidiary has its power centres.

In addition, Herr Klaus Haniel, a member of one of GHH's founding families, resigned as head of the supervisory board in a gesture of sympathy with Dr Lennings. For the first time in 110 years, GHH now does not have a member of the founding families at its head.

Herr Haniel remains a member of the supervisory board, but was succeeded as chairman by Professor Matthias Seefelder, former chief executive of the BASF chemical concern.

Opposition to Dr Lennings stemmed from within Regis Verwaltungen, a holding company owned by the Bavarian-based Allianz Versicherung, the closely-related Munich-Re-Insurance and the Commerzbank.

Herr Paul Lichtenberg, who has been a power at Commerzbank for decades, objected to Dr Lennings' plan for intervening in MAN, which would have meant the removal of top executives there.

Instead, the tables were turned on Dr Lennings by means of Dr Götze, who was sent by Allianz onto MAN's supervisory board earlier this year.

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Apple to make products compatible with IBM

By Louise Keyhoe in San Francisco

APPLE COMPUTER, the U.S. personal computer maker which has suffered from the onslaught of competition, has signalled a major policy change by moving to make its products compatible with those sold by International Business Machines (IBM), the world's largest computer maker.

In an effort to boost sales of its Apple II model, which accounts for more than 80 per cent of revenues, Apple announced the introduction of an add-on unit that will enable the model to use some of the programs designed for IBM's personal computers.

The announcement is seen by industry observers as a desperate move towards IBM's established industry standard for personal computers. IBM foresees the disappearance of its market last week when it unveiled its PCjr home computer.

Mr John Sculley, Apple's president, also said that the company's earnings for each of the first two quarters of fiscal 1984 would be no higher than the \$5.1m net profit recorded in the fourth quarter of fiscal 1983 ended September 30.

Mr Sculley said, however, he expected a gradual return of margins to our traditional level about a year from now. Net profits in each of the first three quarters of fiscal 1983 exceeded \$23m.

The add-on unit for the Apple II will cost about \$2,000 and will be made by Rana Systems of Chatsworth, California, a company with 80 employees. It will incorporate an IBM-compatible microprocessor which will take over as the "brain" of the Apple II. Also included are two disk drives similar to those used by IBM. In effect, the Apple II would become little more than a keyboard and memory attachment to the Rana unit.

It is not clear how much, if any, IBM software would run on an Apple-Rana system. Experts suggest that all programs would need to be modified.

THE LEX COLUMN

Gravity problem in Whitbread brew

Whitbread has stayed true to form in reporting interim figures which serve up less than a full measure of useful information. But as well as being confused by critics, the group's turnover for the six months to August, up from £455m to £581m, has also been coloured by new contributions from the U.S. - and Whitbread has carefully avoided disclosing the latter's impact either on sales or on pre-tax profits, which have risen from £43.5m to £50m.

This ultra-discreet approach is one result of Whitbread's extremely competitive environment. Shriveling margins are another. The group's UK beer sales volume has declined again and major cost reductions have only been sufficient to keep Whitbread abreast of the other five leading brewers. Lower realised prices across the board have still left margins tighter than before. Probably serious damage was avoided by a sales boom in the hot mid-summer.

Even so, the implication is that a 27.1m jump in trading profits to £55.4m has drawn very largely on a first-time contribution of perhaps £24m from Julius Wile in the U.S. and a significant advance by Whitbread's retailing businesses.

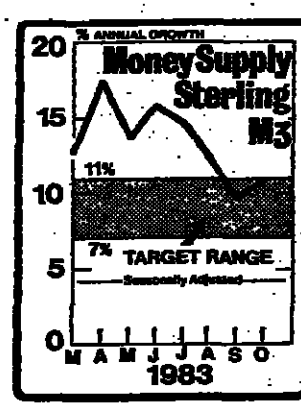
Falling industry sales have historically prompted a fundamental consolidation of the UK beer market. Whitbread has worked at least as hard as any of its competitors on the options facing all of them - its non-beer sales have risen from nil to 40 per cent of the total in seven years - but the squeeze on margins poses an awkward problem. Just maintaining its share of the market is making a huge cash demand: estimates of the industry's 1982 total promotion expenses are daunting and Whitbread's new Best Bitter will take some time yet to repay its launch costs.

This leaves very little for a major take-over, say, or a restructuring of its tied property estate with which Whitbread could possibly spark the changes needed to rid the industry of its surplus capacity and restore profits growth.

The shares reflect no speculation that an outsider may yet intervene to help in this task: down 6p at 143p, they yield a prospective 6.1 per cent.

Allianz/Eagle

Nothing short of a pitched battle on stage is going to satisfy speculators of the Eagle Star drama. The arrival yesterday of a Bavarian messenger to confirm, admittedly



The turnaround in Crossfield which more than accounts for the improved overall result has been more rapid than most outside observers expected. For the moment Crossfield's colour scanners seem to have a definite technical lead over anything else in the market, and the need to write off obsolete stock is no more than an unpleasant memory. Moreover, the market has been expanding at the same time as Crossfield's share of it, with an uptick in U.S. orders likely to keep things moving ahead for some while yet.

That should point to continued improvement for De La Rue next year, even though both of the group's main activities are hedged against with enough uncertainty to contain stock market enthusiasm: the shares still yield over 6 per cent with a prospective p/e of less than 10. Product lives in a business such as Crossfield tend to be short, and technological superiority still more so, while pricing is always very competitive. And although the odds must favour a boom for De La Rue's security printing as the Third World finally wears out its ageing stock of banknotes, there must be an outside fear that insolvency cases could precipitate a return to the cowrie shell in some less-developed debtor economies.

Money supply

The response of the gilt-edged market to yesterday's preliminary money-supply figures for banking October was wholly mystifying. All the evidence suggests that lending has begun to accelerate again, conceivably quite sharply, while last month's very lean pickings of stock suggest that the Government Banker will soon be back in action. The market, however, obstinately refused to be cowed by this information and prices finished at their best levels of the day.

It seems a fair assumption that the public sector had an almost neutral effect on sterling M3 last month, so the great bulk of the estimated 1 1/2 per cent increase must have come from bank lending. On the face of it, this hardly squares with the clearer report of very modest growth in advances. The most likely explanation seems to be a steep increase in bill finance, which would suggest some belated rise in corporate loan demand. Taking that into account, sterling lending by the system may have amounted to almost £14bn, seasonally adjusted.

Sudanese pipeline protests rejected

By Christian Tyler, Trade Editor, in London

THE International Finance Corporation in Washington yesterday rebuffed criticism of the way in which a big Sudanese oil pipeline project was awarded to Italian contractors.

The IFC, which has a minority share in the project's management, was replying to complaints by Dutch and French consortia.

It said: "With the information we have we are satisfied that the procedures were in all respects correct, fair and in line with the IFC's requirements."

A spokesman said: "We have looked into the matter and we think we have a full picture."

The IFC, an affiliate of the World Bank, has a 4 per cent stake in White Nile Petroleum, the owning and operating company equally controlled by Chevron of the U.S. and the Sudanese Government. At the beginning of last month, White Nile awarded a \$322m contract to Snampromgetti and Saipem of Italy to build a 900-mile oil pipeline. This is the first and major part of a \$900m plan to develop and export Sudan's oil reserves.

French and Dutch competitors, who in a first round of bidding in May were considerably cheaper than the Italians, had taken the unusual course of protesting to the IFC. But, as the IFC spokesman emphasised last night, their complaints were referred to Chevron - a subsidiary of Standard Oil of California - which handled the bidding and is directing the work for White Nile.

A Dutch consortium led by Nacop protested that the course of the bidding did not follow the usual procedures, while the unsuccessful French consortium led by Technip said that the tender was not in accord with Sudanese, U.S. or World Bank regulations.

However, neither group seems anxious to press its complaint further because of the possibility that some of the pipeline work will come their way after all.

It was confirmed yesterday that Mr Roger Loper, a Chevron executive and White Nile's project director, has been in discussions with the French consortium.

Meanwhile, according to sources in the industry, Snampromgetti might have difficulties in supplying the necessary quantities and specification of pipe from Italian mills. It had hoped to draw its pipe from its former Japanese partner, Chiyoda. But Chiyoda has pulled out of the first phase of the project, partly because it could not get the Japanese Government to accept the political risk involved in extending export credits for the project.

The French claim that they can readily supply the pipe from a private steel company, Valloire, and that financing for that part of the operation would be guaranteed.

Motorola plans German sales boost through new facility

By Paul Betts in Paris

MOTOROLA, the U.S. electronics group, is building a new facility in Munich to strengthen its position on the West German market for semiconductors.

The new plant, Motorola's first wholly-owned facility in West Germany, will be a super-testing and application centre with some light manufacturing activities designed to back up the company's marketing operations in West Germany. Mr Andre Borrel, general manager of Motorola's European semiconductor division, said yesterday.

He said the new facility would also help give Motorola a better balance in semiconductor operations in Europe. The U.S. group has a major manufacturing plant in Toulouse in France with 1,800 people

and has recently set up a plant in East Kilbride, Scotland where it hopes to invest about \$10m between 1982 and 1985. In Germany, however, Motorola's semiconductor operations employ only about 250 people.

Mr Dedy Saban, Motorola's European marketing director, said yesterday West Germany was the single largest European market for semiconductors and one in which the Japanese had strong designs. Motorola at present has the third largest share of the European semiconductor market with annual sales of about \$253m last year after Philips with \$400m and Texas Instruments with \$320m.

Mr Saban said the West German market was the most open in Europe and success depended on three factors: "service, quality and price."

Motorola is investing in the new facility in Munich with the objective of improving service and client relations, he explained.

Both Mr Saban and Mr Borrel are on an annual European tour organised by Motorola to analyse the evolution of the semiconductor market and Motorola's performance and outlook in this market.

Mr Saban forecast yesterday that the market share of European semiconductor manufacturers would decrease in coming years with the U.S. regaining European market share against the Japanese. This is largely because of the strength of U.S. industry in the microprocessor sector of the semiconductor market.

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Courtaulds to sell Irish plant

By Anthony Moreton, Textiles Correspondent in London

COURTAULDS is close to agreeing the sale of its Letterkenny, Co Donegal, polyester spinning and yarn finishing plant to Unifi of Greensboro, South Carolina.

The U.S. group is one of the two largest American groups involved in textile - the finishing process for man-made fibres. The deal, for which no price has been disclosed, is part of Courtaulds' policy of concentrating production on acrylic fibre (used largely in knitted goods) and on viscose staple (which is used in making rayon).

Neither company would comment on the deal yesterday though it is understood that the price is expected to be "relatively small" compared with the £71m (\$105m) Courtaulds raised through a rights issue in May.

The sale will give Unifi its first production base in Europe. Although it has almost 1,000 employees at its plant in Yadinville, North Carolina, it has been an exporter only to Europe.

For Courtaulds the deal represents part of its policy under Mr Christopher Hogg, group chairman, of moving out of those fibres where margins are low and into its areas of strength. In viscose staple, for instance, the company accounts for 10 per cent of world output and its Courteille is a world leader in acrylic fibres.

Its withdrawal from polyester was virtually completed when the company closed the Carrickfergus plant in Northern Ireland, with the loss of 300 jobs, in February 1981.

Four months later it pulled out of spinning, weaving and finishing at Campsie, outside Londonderry, with the loss of 630 jobs, and then in March last year it severed its last ties with the province when it closed the Dungannon dyeworks, dismissing 300 workers.

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Setback for UK hopes on EEC budget

Continued from Page 1

munty's spending in continental Europe on the one hand and the contribution to the EEC budget on the other. It is not clear how much, if any, IBM software would run on an Apple-Rana system. Experts suggest that all programs would need to be modified.

The British Government has long argued that the only accurate measure of its budget imbalance is the difference between the amount it transfers to Brussels in budget payments and what it receives back as Community expenditure.

As the British pointed out yesterday, this has been the basis for calculating special budget rebates for the UK over the past four years. In 1982 the negative net balance for the UK was 2,630bn European currency units (£18bn). But the new approach now favoured by the Commission is said to point to a "real" net payment by the UK of only around Ecu 800m.

Mr Thorn's motive in masterminding the new approach is based on the judgment that other member states will not make the necessary sacrifices to close the "net balance" gap in British payments. The Commission's initiative will obviously attract other member states because it offers a desirable low definition of the British budget problem and, hence, the path to a cheaper solution.

The proposal looks likely to push an agreement between Britain and its partners even further out of reach, however. Mrs Thatcher, the British Prime Minister, is said to be totally inflexible on the issue.

De La Rue

The recovery still seems to be rolling on at De La Rue, which is showing a one-third increase in pre-tax profits for the six months to September at £14.2m. Displaying their usual volatility, the shares oscillated between 550p and 580p yesterday before settling for a gain of 20p at 570p.

Sears plans \$1.7bn stores facelift in U.S.

By William Hall in New York

SEARS ROEBUCK, the world's largest department store group, is to spend \$1.7bn on renovating existing stores and building new ones over the next five years. It will be the largest expansion programme in the company's history.

Mr Edward Telling, Sears Roebuck's chief executive, said that the company's "store of the future" programme called for remodelling more than 600 stores and building 82 new ones.

Sears's move towards modernising existing facilities reflects the "dramatic decline in the number of desirable new shopping mall locations, and the competitive importance of upgrading existing facilities to generate sales and profit growth."

Some 350 of the group's largest and most productive stores in big metropolitan markets will be remodelled over the next three years. In the following two years, another 250 smaller shops will be remodelled. Sears says that next year it will open 14 new stores and remodel 85 others.

UK monetary growth hits interest rate hopes

By Max Wilkinson, Economics Correspondent, in London

BRITAIN'S money supply rose sharply in October, dampening hopes of any imminent fall in UK interest rates.

The Bank of England estimated yesterday that sterling M3, the broad measure of money, and M1, the narrow measure, both rose by 1 1/2 per cent in the month, the equivalent of an annual rate of increase of nearly 20 per cent.

The Conservative Government's target is to keep the annual growth rates between 7 per cent and 11 per cent. However, in the eight months from February, when the present target period began, M1 has never been within this range. Sterling M3, after growing at an annual rate of 20 per cent in the four months to June, came back into the target range in September but is now threatening to escape again.

Private sector liquidity, the widest measure of money which includes building society deposits, is still substantially above its target range, although its rate of growth has slowed considerably since the spring.

The government securities market reacted unfavourably to the latest money supply estimates yesterday with initial falls of up to 1/2 point in prices for long dated stock. But the end of the day's trading, however, it appeared that the market had decided to heed the authorities' warning not to pay too much attention to one-month's figures, and prices finished 1/4 point up on the day.

The sharp increases in M1 and sterling M3 in October are thought to reflect a somewhat faster rate of bank lending to the private sector as well as a much slower pace of official funding during the month.

The monthly statement by the London clearing banks yesterday suggested an underlying increase in lending of only about £225m (\$335m), quite a small sum by previous standards.

There were indications yesterday, however, that the authorities may be expecting that the full banking figures later this month will show an increase of perhaps as much as £14bn.

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Arafat may agree to leave Tripoli

Continued from Page 1

strengthening the U.S.-Israeli relationship. Officials have stressed, however, that they are not proposing to enter into joint military planning in the Lebanon.

Margaret van Hattem writes: In London yesterday many British MPs concluded after listening to Mrs Margaret Thatcher, the Prime Minister, that the U.S. was about to take retaliatory action for the death of the 230 marines killed by a bomb blast at their Beirut headquarters.

Mrs Thatcher rejected as "unrecognisable" press accounts of her meeting on Monday with Mr Kenneth Dam, U.S. Deputy Secretary of State, many of which reported that she had failed to obtain assurances that the U.S. would not retaliate.

She drew a distinction, however, between "retaliation" and "action in self defence" - a distinction which Sir Geoffrey Howe, the Foreign Secretary, did not make when he outlined the British Government's attitude 10 days ago. Sir Geoffrey then said that action against individuals identified as being responsible for the bombings was quite different from action against nations or governments, and that Britain could not support the latter.

Yesterday, Mrs Thatcher said: "It is for them (the Americans) to consider how far the laws of self defence permit any action they may or may not be considering."

The conclusion being drawn by many MPs is that the Government is convinced that the U.S. is about to act, and that it is preparing the ground for Britain to adopt a neutral attitude.

Labour, however, signalled yesterday that it would strongly oppose such a position. Mr Neil Kinnock, the Labour leader, unsuccessfully pressed Mrs Thatcher for assurances that U.S. retaliation would trigger a withdrawal of the British peace-keeping force.

NEWS REVIEW

BUSINESS

Hospital data systems

North West Regional Health Authority has recently ordered from the Wythenshawe Division of Ferranti Computer Systems Limited, two Delphi-Phoenix pathology laboratory data handling systems worth £105,000.

One system is to be installed at Bolton Royal Infirmary, and the other at Withington Hospital, Manchester. Both systems will collect and process patients' clinical data and store the results.

The systems also feature the Ferranti Professional Personal Computer, a 16 bit microcomputer to be used, in this case, for specialised functions within the laboratory.

US high lights

Ferranti has been awarded a contract to supply a computer controlled display system, which will be installed on Airbus Industries' third "Stratix 500" for aerial advertising in the USA by the "Golden Nugget" hotel and casino group. For this application, a desktop computer in the Stratix's cabin will be used to control two 800 x 12ft displays, each made up of over 100,000 LEDs.

Briefly...

Ferranti Instrumentation Limited, Aircraft Equipment Department has been awarded a contract by the Australian Aircraft Consortium to supply instruments for the two prototypes of its new RAAF Basic Training Aircraft.

Ferranti Computer Systems Wythenshawe Division will be installing five PMS process management system units at Cadbury's new plant in Keynsham.

ADVERTISEMENT

ENERGY MANAGEMENT

A regular saver

Ferranti Instrumentation Limited at Moston is expert in energy management systems. The equipment operates by monitoring aggregate loads and reducing the substantial demands on the electricity grid.

Wiggins Teape Limited installed a CEDREC Energy Management System at their Stafford Paper Mill in Devon, where they produce high quality paper for personal and business correspondence and security purposes.

The CEDREC system was introduced when they noticed that the demand charges were disproportionate to the amount of electrical energy being used. This was caused by peaking of aggregate loads which had the effect of raising maximum demand well above average demand.

Savings in the first 12 months amounted to £4,740 which more than covered the purchase price of the CEDREC without taking into account installation. These savings have been made because it has been possible to reduce demand from 1,240 kW down to 1,003 kW without disrupting production or making any extra demand on management workload.

COMPUTERS

The Hungarian set

Ferranti Computer Systems Limited has booked its second major export order from Filmsat, a Hungarian publishing house. Two Ferranti CS7 computerised typesetting systems are being installed as satellites communicating over telephone lines to the existing Ferranti system in Budapest.

The computers, each worth £150,000 have now been delivered to Filmsat and will be used in the composition of books and magazines.

Each CS7 has four text input terminals, a graphics printer and a make-up terminal on which full pages may be assembled and displayed. As well as the ability to handle mathematical symbols and automatically paginate text for books, the CS7 has the unique ability to display on the make-up terminal both Latin and Cyrillic scripts simultaneously.

The Ferranti CS7 computer based composing system already used by Filmsat has been operating successfully in Budapest since autumn 1982.

The good news is FERRANTI
Selling technology

World Weather

Area	Temp	Wind	Area	Temp	Wind	Area	Temp	Wind	Area	Temp	Wind
Amsterdam	10	10	London	10	10	Madrid	10	10	Paris	10	10
Antwerp	10	10	Lyon	10	10	Munich	10	10	Rome	10	10
Birmingham	10	10	Nantes	10	10	Nuremberg	10	10	Seville	10	10
Bombay	10	10	Nice	10	10	Prague	10	10	Stockholm	10	10
Buenos Aires	10	10	Orleans	10	10	Stuttgart	10	10	Switzerland	10	10
Calcutta	10	10	Reims	10	10	Toronto	10	10	U.S.A.	10	10
Canton	10	10	Rouen	10	10	Washington	10	10	U.S.A.	10	10
Cebu	10	10	Saint-Etienne	10	10	Winnipeg	10	10	U.S.A.	10	10
Colon	10	10	Strasbourg	10	10	Zurich	10	10	U.S.A.	10	10
Hankow	10	10	Toul	10	10						
Hong Kong	10	10	Verdun	10	10						
Kobe	10	10	Vitry	10	10						
London	10	10	Worms	10	10						
Manila	10	10	Xanten	10	10						
Medan	10	10	Yverdon	10	10						
Osaka	10	10	Zug	10	10						
Shanghai	10	10									
Singapore	10	10									
Taipei	10	10									
Tokyo	10	10									
Yokohama	10	10									

Headings at mid-day yesterday:
C-Century D-Delaware E-Europe F-Financial G-Germany H-Holland I-Ireland J-Japan K-Korea L-Latin M-Mexico N-Netherlands O-Oceania P-Poland R-Russia S-South America T-Turkey U-U.S.A. V-Vietnam W-Winter X-Xmas Y-Years Z-Zero

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday November 9 1983

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State aid hope for IBH unit Hanomag

By John Davies in Frankfurt

HANOMAG, the Hanover-based subsidiary of IBH, the struggling West German construction equipment concern, is hoping to keep production going despite the group's financial difficulties.

Herr Wolfgang Freimuth, the chief executive, said last night that Hanomag had orders on hand to last four months and it would be useless to stop production.

He said the company was negotiating with suppliers to keep raw material deliveries coming. It had succeeded in reaching agreement with some important suppliers and was continuing negotiations with others.

Herr Freimuth said Hanomag had held talks with city and state government authorities and hoped to receive financial aid.

However, he said work had been halted temporarily on construction of a new DM 170m (833m) factory, for which the foundation stone was laid a month ago.

There are strong feelings in political circles in Hanover that Hanomag should be saved. But there are some fears that legal and financial complications could lead to a break in production.

Hanomag's origins in Hanover date back nearly 150 years and it provides jobs for 2,800 workers.

City authorities and the state Government of Lower Saxony recently agreed to provide most of the financial backing for the planned new factory.

It would be politically embarrassing to abandon the company only a matter of weeks later.

Meanwhile, banking authorities are planning to widen the network of banks involved in the rescue of the private bank of Schröder, Münchmeyer, Hengst (SMH).

The banking system's intervention to save SMH last week led to IBH's approach to the courts to seek protection from its creditors.

SMH had provided heavy financial backing for IBH, in which it has a 7.5 per cent share stake.

In the latest move, the Federal Banking Supervisory Office has called a meeting today of banks which had small credit lines of between DM 5m and DM 10m to SMH.

Other banks, together with the banking system's deposit guarantee fund, agreed last week to provide an aid package totalling DM 630m. This aid is to be converted into subordinated capital for the bank.

The banks with smaller involvement, however, will be asked merely to keep open some of their credit lines to SMH.

French IBH subsidiaries seek own path

By David Marsh in Paris

THE FRENCH subsidiaries of IBH Holdings, the financially troubled West German construction plant maker, will try to follow an independent path after their parent company's decision last week to seek court protection from creditors.

In a communique, IBH France said the French companies concerned, Masco-Meudon, Pignon and Derruppe, had already become more autonomous in their operations over the last year. In collaboration with the Government, which is studying measures to keep the companies alive, they would try to continue this path, the communique said.

Mary Helen Spooner in Santiago looks at political pressures on the financial sector in Chile

The mixed fortunes of a Chilean banker

SR JAVIER VIAL, the director of one of Chile's largest financial groups, personified his country's economic boom from 1978 to mid-1981.

A charming, U.S.-educated banker and businessman, Sr Vial survived the anti-business climate under Socialist President Salvador Allende (1970-73) when the Government tried to nationalise the Banco Hipotecario de Chile (BHC), a mortgage bank in which he held controlling shares. The Allende Government tried to have him jailed on a number of occasions.

Today, after building the BHC group into a conglomerate employing 20,000 and encompassing around 50 companies, Sr Vial faces the enmity of certain officials in General Augusto Pinochet's regime who would also like to see him jailed - or even deported.

In June this year, the authorities filed fraud charges against Sr Vial, prohibiting him from leaving the country pending the outcome of an investigation into charges that he illegally negotiated \$1.8m through the Banco Hipotecario de Chile and two other banks to BHC affiliate companies. The suit has been moving slowly, with Sr Vial having been called to testify only once. Some interpret the slowness of pace to official ambivalence towards Chile's conglomerates.

"Suits such as this one, in which there are no specific charges, almost always die," Sr Vial said in a recent interview.

"There is nothing concrete. We have broken no law. I am convinced that this is merely a political situation and that I am being used as a scapegoat."

Pressures on the BHC conglomerate and other Chilean groups began late in 1981 when the regime decreed a new banking code aimed at curtailing the practice of private banks lending to their affiliate companies without adequate security.

A few months later, authorities began seizing administrative control of banks and financial institutions deemed to be in violation of the new code.

The following year, when it became evident that most of Chile's private banking system was in serious difficulties and would not be able to put its accounts in order before the December deadline, the central bank tried a new tactic: it would

help private banks with extensive lending to related concerns by purchasing their bad debt portfolios and allowing them to repay it over 10 years. In exchange, the banks would have to reduce loans to related firms to 2.5 per cent of their total loan portfolios within five years, with the Government's bank interventions stopping.

Sr Vial was reluctant to sign such a deal with the central bank, especially when officials demanded his resignation from the presidency of the Banco de Chile, the country's largest private bank, and the separation of the institution from the BHC group. Although the accord was eventually signed, Sr Vial retained influence with the Banco de Chile's board of directors.

According to the Chilean banking authorities, Banco de Chile not only failed to cut back its loans to the BHC group, but actually increased its lending to BHC companies in the months after the accord with the central bank.

On January 13, the Finance Ministry announced on television that it was intervening in Banco de Chile, in the sense of taking administrative

control, liquidating the BHC bank and intervening in and liquidating five other financial institutions. With the banks under their control the authorities filed bankruptcy petitions against 36 BHC companies. Sr Vial's lawyers are contesting 15 of these bankruptcy cases.

The bank interventions fly in the face of the Pinochet regime's early stated commitment to free market principles. Chilean authorities, on the other hand, blame the group for abusing the system. In their view, the Government cannot risk a domino-like run of bankruptcies throughout the private sector in the event of a single company folding.

"In Japan, the big financial groups all have their own flagship banks," a foreign economist in Santiago notes. "The question is: Why does this system work in Japan and not in Chile?"

One explanation is offered by Fernando Dahse, a Chilean sociologist and author of a widely read book on the country's financial conglomerates. The failure of neo-liberal economic experiments in Chile, Argentina and Uruguay, he main-

tain, has an eminently cultural origin.

"We Latins have a tendency to want to make a lot of money in the shortest time possible. The search for quick gains is very ingrained in the Latin American business executive," he said. "When they imposed this free market model, the regime's economic team thought Chilean businessmen would act the way British, American or West German businessmen do."

Sr Vial, for his part, blames the authorities for "changing the rules of the game in mid-play."

A curious sidelight of this battle of conglomerate and Government is the fact that many former executives of the BHC and other groups have recently held posts on the regime's economic team. The BHC's former vice-president, Sr Rolf Luder, who resigned in August of last year, was later appointed the regime's Minister of Finance and Economy - and announced the decision to seize the BHC Bank and other institutions on January 13, though giving way eventually, this year, to Sr Carlos Casceres.

One of Sr Luder's under-secretaries was Sr Jorge Canas, the former president of Banco de Santiago, one of the banks in which the Government intervened early this year. The head of Chile's banking authority, Sr Boris Blanco, is a former board member of the Banco Andino, a Panama-based bank affiliated to the BHC group.

The BHC group, along with Banco de Chile, accounts for about \$2bn of Chile's \$18bn foreign debt, and foreign creditors have expressed concern for the fate of Sr Vial's negotiations to reschedule \$3.6bn of debts due this year and in 1985.

Pressure from the banks prevented Chilean authorities from liquidating at least three BHC companies earlier this year.

Meanwhile, the BHC is operating at less than half the capacity it had in 1981. The conglomerate now employs about 8,000 people, down from 20,000 three years ago. Sr Vial insists that his companies are "no better, or worse off, than other Chilean concerns," and blames their problems on government policies.

"I believe there are still a lot of stubborn officials who want to blame me for their errors," he says.

Electrolux shares go on Paris Bourse

By David Brown in Stockholm

ELECTROLUX, the Swedish household appliances group, has announced that its shares will be quoted on the Paris Bourse starting next week.

The introduction of Series B freeshares does not involve a new issue. It is being managed by three French banks, Louis Dreyfus, Banque Indosuez and Credit Industriel et Commercial, with Carnegie Fondkommission in Stockholm, and will begin on November 15.

France is the group's largest single market after the U.S. It generated 12 per cent of SKR 3.7bn (\$0.5bn) of total group sales in 1982. Electrolux employs 9,000 in France producing household appliances, television sets, sterilisation equipment and car seat belts.

Electrolux shares are quoted in London, Geneva and Oslo. Trading in American Depository Receipts (ADRs) is scheduled to start early next year.

The group's Granges metals subsidiary earlier announced agreement to sell its entire minerals production and exploration activities in Canada to the Vancouver-based mining firm, Pecos Resources, for \$18m (US\$14.5m).

The sale of International Minerals Exploration and Granges Exploration AB is a major step in the division's withdrawal from the mining sector, said Electrolux's general counsel, Mr Ulf Magnusson.

"The connection between mining and the rest of our activities in household appliances has grown very thin," he said.

Granges retains a 28 per cent interest in the large Lamo iron ore joint venture in Liberia, with Bethlehem Steel of the U.S., the Liberian Government and other private investors.

Sales for the Granges-owned portion of the mine fell from \$110m in 1981 to \$95m last year, when the operation broke even. A loss of about \$3m is expected this year on sales of \$90m, according to the Lamo division president, Mr Arne Dahlstrom.

The current production of 6.6m tonnes is "extremely low", he said, and the operation has been hit by high unit costs. It cut its workforce by a third last year.

Thomson shows a sharp earnings rise

By Nicholas Hirst in Toronto

THOMSON NEWSPAPERS, the Toronto-based, North American publishing group controlled by Thomson family interests, increased net income sharply in the first nine months of the year, to C\$85.8m (\$68.5m) from C\$67.1m on a small increase in sales.

Revenue was C\$509.1m against C\$492.3m. Earnings per share were C\$1.73 against C\$1.35.

The company said that its Canadian flagship, The Globe and Mail, showed continuing recovery in the third quarter. The paper has been affected by increased competition on the development of its national edition.

Revenue from newspapers in both Canada and the U.S. improved, although revenue and profits from the commercial printing business in Montreal were significantly lower, reflecting the closing of the Canadian magazine Today in August last year.

Thomson's joint expansion of the Augusta newspaper mill in Atlanta, Georgia, with Abitibi-Price, under which Thomson was to contribute \$50m, has been completed on time and below budget. A new paper machine was successfully started in the last week of September.

Thomson is deferring its 50 per cent share of all revenue and expenses until the expanded mill is fully operational.

Thomson, the largest newspaper group in Canada, and its rival, Sunbeam, are before the Supreme Court of Ontario, charged with conspiring to reduce competition in branch of the Canadian Combines Investigation Act. Both companies have pleaded not guilty.

Grundig to make VHS recorders

By Paul Cheeseright in Brussels

GRUNDIG, the West German electronics manufacturer, will begin producing VHS system video recorders under licence from Matsushita Electric Industrial of Japan next year.

The company already makes V2000 system recorders which it developed jointly with the Dutch group Philips.

Grundig said that while the V2000 system is technologically advanced, VHS is so dominant in some markets that it would be too costly to introduce another system.

The company could not say how many VHS recorders would be produced but said they would be made entirely in Germany. It has reached agreement on the project with Matsushita but contracts have not yet been signed.

Reuter

Cockerill Sambre to show reduced loss

By Paul Cheeseright in Brussels

OPERATING LOSSES at Cockerill Sambre, the financially troubled Belgian steel group, will be confined to BF 2.2bn (\$40m) in the last quarter of this year, according to M Gerard Delrueille, the company president.

The total operating loss for the year should be BF 5.8bn, as forecast, he said in an interview with La Libre Belgique, a Brussels newspaper.

Such an outcome would be a slight improvement on the results of the previous two years, when operating losses were BF 10.6bn in 1982 and BF 12.6bn in 1981.

The future of the state-owned group remains uncertain at least until the Belgian Government has concluded negotiations with Luxembourg and the Netherlands on joint measures aimed at comple-

mentary production. When these negotiations are finished, the groupwork will be completed for a full-scale restructuring.

Cockerill had a better month than expected in October when it produced 475,000 tonnes of crude steel. But, in accordance with normal seasonal trends, December will be less encouraging.

If trends emerging in the first 10 months of the year are maintained, total Cockerill production of crude steel this year will be about 4.7m tonnes, slightly more than the 4.55m tonnes recorded last year but substantially down on the 6.48m tonnes made in 1981.

The financial outcome depends on remission of interest charges of BF 1.7bn. M Delrueille said. If this remission does not take place the loss will be BF 10.5bn.

Telerate income up 90%

By William Hall in New York

TELERATE, the fast-growing U.S. computerised financial information service which is majority-owned by Britain's Exor money-broking group, increased its net income in the fourth quarter by 90 per cent to \$6.15m.

For the full year, earnings rose 80 per cent to \$20m and revenues rose 61 per cent to \$67.1m. Earnings per share for the full year total 48 cents against 28 cents.

Mr Neil Hirsch, chief executive and founder of Telerate, said the substantial gains in earnings and revenues were attributable to the increase in the installation of terminals and the expansion of revenues from optional services, reflecting the continuing steady growth in the company's basic business.

Chesebrough-Pond's cleared by Canada

By Our Toronto Correspondent

CANADA'S Foreign Investment Review Agency (FIRA) has ended doubts over the future of a local subsidiary of the U.S.-based consumer-products group, Chesebrough-Pond's.

Health-Tex Canada, a children's clothing retailer owned by Chesebrough, opened seven stores in Ontario before it had been given formal approval from FIRA. The company had expected its application to be granted.

But FIRA which vets all foreign investment in Canada, turned the application down on the grounds that it did not provide sufficient jobs and investment for Canadians. As a result Health-Tex was faced with the possibility of having to close or sell its stores.

A second application, however, has been approved. Health-Tex, now with 60 employees, intends to expand its workforce to 400 people with investment of more than C\$23m (US\$18.7m). The company has also committed itself to sourcing much of its supplies in Canada and to developing export markets

GM increases dividend

By William Hall in New York

GENERAL MOTORS, the world's biggest car maker, has increased its quarterly dividend from 60 cents to \$1 per share, the first increase for three and a half years.

GM, the second biggest U.S. corporation in terms of revenues, has benefited from the strong recovery in demand for cars and an aggressive cost-cutting programme. Last

Profits plunge forecast by Ballast Nedam

By Our Financial Staff

BALLAST NEDAM, the Amsterdam-based construction and dredging group, has warned of a drop in profits for 1983 to Fl 16m (\$5.35m) from last year's Fl 28m, on turnover which is expected to decline to Fl 22m from Fl 2.6bn. The group blamed the slowdown in work that has hit its overseas subsidiaries, and which has caused a corresponding slowdown in activities in the Netherlands.

The company says its forecasts for 1983 are based on "the realistic assumption that important new contracts will be acquired in the near future." Without counting in these prospective new orders, it says, the outlook for the year would be significantly worse.

The company's statement also referred to the need to "adapt the size of parts of the organisation" - an apparent allusion to the need for possible job cuts, since it added that consultations would take place with a works council representing employees.

month it announced that its third-quarter earnings had jumped from \$129m to \$177m on a 23 per cent rise in sales to \$17.6bn.

GM's dividend was at its peak in 1977 when the annual payout totalled \$3.80 per share. It steadily reduced its quarterly dividend to 60 cents in the second quarter of 1980 and has since held it at that level.



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INTERNATIONAL COMPANIES and FINANCE

Major shipbuilders hit by low margins in first six months

BY YOKO SHIBATA IN TOKYO

JAPAN'S six leading shipbuilders' results remain depressed with earnings performances in the first half to September 30 hit hard by low margins on vessel construction and sluggishness in non-shipbuilding sectors—including oil drilling rigs, marine construction and plant export.

Orders for new ships in the previous fiscal year, ended March 1983, fell sharply by 48 per cent to 4,350 gross tonnes. This with a backlog of 8,190 gross tonnes, which was not enough to keep the Japanese yards busy. As a result, Government implemented a programme to curtail yard operations in April, putting a ceiling on capacity utilisation of 74 per cent for the current year and 68 per cent for fiscal 1984.

However, a sudden upsurge of new orders centering on heavy bulk carriers from Japan's Sanko Steamships (110 vessels) and Greek shipowners, helped the yards avoid having much of their facilities laying idle for at least the next two years.

In the April-September half year, export orders received by Japanese yards totalled 288 vessels, making 5,890 gross tonnes, almost five times the previous year's level. As a result the book of ship orders for export totalled 11.7m gross tonnes—surpassing the previous peak reached during the shipbuilding mini-boom at the end of June 1981.

Ishikawajima-Harima Heavy Industries (IHI) received 42 new ship orders—an increase of 32 vessels over a year ago. Total ship orders received, including ship repair, rose by ¥81.6bn to reach ¥148.8bn (\$628m). This will keep IHI's yards busy up until the middle of 1985.

IHI's sales in the shipbuilding sector during the half year rose by 30 per cent to account for 24.7 per cent of turnover. Mitsui Engineering and Shipbuilding received 17 new orders totalling 68,219 gross tons, up

by 2.4 times over a year ago. Total order value rose by 23.8 per cent to reach ¥150bn. Sales setbacks in the half were attributed to the absence of large ship deliveries and a fall in the sales of steel structure engineering, affected by curbs on public work expenditure.

Kawasaki Heavy Industries saw shipbuilding orders rise by 2.5 times to reach ¥87.7bn thanks to Sanko's orders for heavy bulk carriers. Sales in the sector rose by 61.4 per cent to account for 17 per cent of the total turnover. However, its sales in industrial machinery fell by 32.5 per cent, affected by halved sales of industrial robots. In addition, plant engineering sales plunged by 45.4 per cent.

Favourable sales in the aircraft sector, and a recovery in the motorcycle sector (sales up by 3.4 per cent) could not cover sharp falls in other sectors. The company reported half-year net profits by unloading real estate worth ¥3bn.

KHI foresees difficulties in recovering earnings sufficiently to pay a dividend until March 1985. As a result, KHI will be the only company to pass a dividend among the six major shipbuilders.

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FIRST HALF RESULTS

	Net profits ¥bn	Percentage change	Sales ¥bn	Percentage change
Mitsubishi HI	12.5	25.5	94	25.5
IHI	5.71	5.1	390	8.9
Kawasaki HI	0.99	-54.1	306	0
Sumitomo HI	1.21	-40.1	157	13.5
Hitachi Zosen	3.01	-27.3	143	-35.0
Mitsui Eng & Shipbuilding	1.45	-72.9	131	-10.9

COMPANY ANNOUNCEMENT

East Daggafontein Mines, Limited
(Incorporated in the Republic of South Africa)

Here is the text of a joint announcement released by East Daggafontein Mines, Limited (East Dagga) and Egoli Consolidated Mines, Limited (Egoli) in Johannesburg.

Shareholders are advised that following the acquisition by Egoli from Messina Limited of 62% of Bonanza Gold Mine (Pty) Ltd which name is to be changed to Springs Dagga Gold Mines Ltd (Springs Dagga) an agreement has been concluded whereby:

1.0 EAST DAGGA

- 1.1 Will transfer to Egoli 13 percent of the issued share capital in Springs Dagga.
- 1.2 Will cede to Egoli its loan account of R79 800 in Springs Dagga
- 1.3 Will cede to Springs Dagga its interest in certain gold bearing material being the remnant of slimes dam 7L1.
- 1.4 Will cede to Springs Dagga its option to purchase certain tailings deposition site measuring 165 ha in extent and whereby in consideration

2.0 EGOLI

- 2.1 Will transfer to East Dagga 25% of Planet Mining Company (Pty) Ltd, which name is to be changed to Van Dyk Brakpan Mines Ltd (Van Dyk Brakpan).
 - 2.2 Will transfer to Springs Dagga its interest in respect of the 6 704 precious metal claims which Egoli has been granted over the Old Springs Mines area.
- The consequences of this transaction are that Egoli and East Dagga
- (i) Will own 75% and 25% respectively of the issued share capital of Springs Dagga, which company will have 11 766 precious metal claims and 31 ha of mining lease, an equipped shaft and hoist serving part of the area and an operating 240 000 ton per annum carbon-in-pulp gold plant.
 - (ii) Will own 75% and 25% respectively of the issued share capital of Van Dyk-Brakpan, which company owns 6 076 precious metal claims over part of the Old Van Dyk and Brakpan lease areas. Exploration and re-opening of this claim area has been in progress for approximately 3 years.

Work is presently in progress to increase gold production at the Springs Dagga plant by treating higher grade Egoli reserves and to commence mining at the Van Dyk-Brakpan Mine, one from which will be treated at Springs Dagga. Priority will then be given to a continuous programme of re-equipping and developing of ore blocks at the Van Dyk-Brakpan Mine in order to increase production. At the same time underground exploration will continue at the Springs-Dagga mine with the intention of establishing viable production operations in the short term.

The combined holdings of 17 842 claims in the two mines are underlain by substantial known reserves of gold bearing reefs. In the future, these reserves will enable the establishment of larger scale, viable mines. In the meantime it is the intention of the companies to remain well prepared to take advantage of gold price increases at short notice by maintaining smaller scale mining operations and working the better grade areas in the interim.

As a result of these transactions there will be no effect on the earnings per share of these companies during their current financial years. Circulars to shareholders of both companies are in the course of preparation and will be posted in due course.

By Order of the Board
EGOLI CONSOLIDATED MINES LIMITED
Per: Investments and Technical
Management Limited
Secretary
Signed: D.T.J. Lonsdale
30 October 1983

By Order of the Board
EAST DAGGAFONTEIN MINES LIMITED
Per: Arthur Young and Company
Secretary
Signed: J.D.G. Cunningham
30 October 1983

Charles Smith reports from Tokyo on the structure of the motor industry

Japanese car components - a maze or a pyramid?

JAPAN is famous for its groupings of big companies which stretch across different industries. What is less well known is that a quite different type of group structure exists within some major industries. In the Japanese motor industry the 11 major vehicle assemblers each stand at the top of a more or less closely integrated pyramid of components suppliers.

The way the groups in the motor industry came into existence and the way they are changing under the pressure of slow economic growth is revealingly described by Dodwell Marketing Consultants in its comprehensive guide (in English) to the Japanese car parts industry.

According to Dodwell, Japanese car manufacturers typically produce about 25 per cent, by value, of the parts that go to make up their vehicles, whereas the self-sufficiency rate for a big U.S. manufacturer is 48 per cent. The remaining

three quarters of the parts used are likely to have come from an army of several thousand suppliers each of whom may be ultimately dependent on a single assembler but not all of whom are necessarily in direct contact with the company they serve.

One very large car maker (unnamed by Dodwell, but believed to be Toyota Motor) has 168 primary suppliers which in turn depend on some 5,500 secondary sub-contractors.

A third and outermost circle of tertiary sub-contractors serving the same group may number as many as 36,000 companies. Dodwell says that the present structure of the Japanese car industry came into existence in the 1950s when it was cheaper and quicker for vehicles assemblers to procure parts from outside than to make them. Today the notion of a one-to-one relationship between a vehicle assembler and a components manufacturer is beginning to

make less sense.

Components makers can no longer achieve the economies of scale needed to compete with other components makers by selling only to a single principle. They are accordingly being encouraged to diversify their sales outlets—and to start exporting. Japanese car component exports almost doubled between 1979 and 1982 rising from ¥614bn to ¥1,122bn (US\$4.74bn).

The beginning of a move out of Japan by the major car assemblers has been another factor that threatens to twist the traditional relationships within the industry out of its existing shape. By the late 1980s about 10 per cent of the cars produced by Japanese car makers (around 1.2m units per year) are likely to be made overseas. Car component makers will either have to follow their principals abroad or accept the loss of part of their business. Dodwell's analysis of what is

happening to the structure of the Japanese car components industry forms the background to a series of profiles of the major groupings in the industry, starting with Toyota and Nissan and continuing with medium and smaller manufacturers.

Dodwell notes that the Toyota and Nissan groupings, although of roughly the same size, came into existence in completely different ways. Nissan's group of exclusive or semi-exclusive components suppliers was formed by "magnetic attraction"—ie by Nissan being forced to provide financial or technical assistance to components suppliers who were in trouble. Toyota, on the other hand, spun off affiliates from its original core (the Toyoda Automatic Loom Company).

A point of similarity between Nissan and Toyota is that both companies depend on affiliates for part of the actual assembly of their cars. About 30 per cent of Nissan cars are

assembled by group members, rather than by Nissan itself. In the case of Toyota two vehicle assemblers that were once fully independent but which have been drawn into the Toyota orbit produce some of Toyota's models. The Toyota 1.3 litre Starlet, for example, is assembled at the Kyoto works of Daihatsu Motor, once a fully independent company in which Toyota now has a 14.6 per cent interest.

Of the 11 car manufacturing groups covered by Dodwell only two are also full members of Japan's famous business empires. The two are Mitsubishi Motors Corporation, which was spun off in 1979 as a separate company from Mitsubishi Heavy Industries, one of the flagship companies of Japan's largest industrial grouping, and Toyo Kogyo which despite its links with Ford is now firmly in the orbit of the Sumitomo group.

Apart from these links traces exist of another major indus-

trial grouping. Nissan Motor and Hitachi once constituted the two main members of the Nissan group which flourished before and during World War II. What remains of this relationship today is close co-operation between the two in research and development on car electronics.

Although the Dodwell book does not say so explicitly, the pyramidal structure of the Japanese car industry is obviously still strong enough to create serious problems for competitors. Foreign car makers are unlikely to be getting their components as cheaply as Toyota or Nissan.

Dodwell does not suggest how to solve these problems, but its 350-page guide to the maze of relationships that makes up the Japanese motor industry throws some light on why they exist.

© The Structure of the Japanese Auto Parts Industry, published by Dodwell Marketing Consultants, CPO Box 22, Tokyo, Japan. Price in Japan ¥80,000.

Afrox increases turnover but earnings ease

By Our Johannesburg Correspondent

AFRICAN OXYGEN (Afrox), the South African industrial gases and welding equipment supplier which is 60 per cent owned by BOC International, suffered from increasingly difficult trading conditions in the year ended September. While turnover increased by 11 per cent to R237.7m (\$204m) from R214.2m, trading profit before interest and tax fell by 3.5 per cent to R24.5m from R25.1m.

At the interim stage when first-half trading profit had fallen to R12.2m from R18m in the corresponding period of 1982 management expected the continuing steel and engineering industries' recession to affect trading performance adversely again.

In the second half of the financial year, however, a programme of cost cutting and stock reductions coupled with the acquisition of a greater stake in private hospitals led to a trading profit improvement.

A total dividend of 37 cents has been declared from earnings of 69.1 cents. In the year to September 30 1982 earnings were 66.2 cents per share

Custom Credit Holdings suffers setback for year

BY LACHLAN DRUMMOND IN SYDNEY

CUSTOM CREDIT Holdings, the finance subsidiary of the National Commercial Banking Corporation of Australia, has reported net earnings of A\$28.27m (US\$25.8m) for its year to September 30, down by 16.5 per cent on the level achieved in 1981-82 by the operations which now form Custom Credit.

Custom Credit Holdings was formed as from March 31 this year from Commercial and General Acceptances and Custom Credit Corporation, the respective finance subsidiaries of the merged Commercial Banking Company of Sydney and the National Bank of Australia.

The lower profit from the comparable operations came as gross revenue grew by 8.4 per cent to A\$268.6m. It reflected the sharp 15.3 per cent increase in interest charges to A\$326.1m. Custom Credit in the past 12

months has persistently set the rates offered on its public borrowings at levels, at odds with its competitors. While this has proved costly in terms of interest outgoings the slack demand for funds during the year also left it with surplus liquidity. This was at times placed at negative rates, with a subsequent effect on overall lending margins.

The merger process contributed to this by imposing an inflexibility on its issuing of prospectuses.

However, Custom Credit was able to reduce bad debt write-offs to A\$11.4m for the year compared with A\$16.9m. The latest net profit came after a reduction in the tax charge from A\$26.6m to A\$17.94m, which helped disguise a sharper 24 per cent decline in pre-tax earnings from A\$60.5m to A\$46.12m.

Singapore Land boosts profit and rental income

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE LAND, the Singapore-based commercial property development company which operates major office buildings in the city centre, has reported substantially increased profits and rental income for the year ending August 31.

Audited figures released this week show a consolidated net profit after tax of S\$25.08m (US\$11.8m), compared with S\$9.45m the previous year, and a gross rental income of S\$73.5m after S\$29.9m previously.

Profits before tax and depreciation totalled S\$41.78m, one-and-a-half times higher than the previous year's figure of S\$16.8m. The directors will recommend a first and final

dividend of 10 per cent gross, double last year's figure.

The figures appear surprising in light of the recent softening in Singapore's office property market, which has seen rents decline significantly.

But the results are believed to have been helped by the inclusion this year of income from the Shell Tower building, which is substantially leased. Many overseas banks have offices in the building, which is in the heart of the city's financial district.

Offices in the new 42-storey Chartered Bank building, which is adjacent to the Shell Tower and opens next year, are now up for lease. It is understood that rates are already lower than when space was first offered.

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This announcement appears as a matter of record only.

Lanier Business Products, Inc.

has been acquired through merger by

Harris Corporation

The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Lanier Business Products, Inc.

DEAN WITTER REYNOLDS INC.

October 28, 1983

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

JAMES PILDITCH is the most disarmingly modest of men. Over the last five years the company he created in 1959 as a two-man band has grown more than sixfold, in both sales and profits. Via a spate of acquisitions, but also through strong internal growth, it has transformed itself from a 60-person design consultancy, Allied International Designers, into a diversified group in market research, electronics, financial services and design, with a workforce of over 400. Within this expansion, the design practice has doubled in just the last year to 120.

In the midst of this process, and at a time when British financial institutions were still highly sceptical about the industry's attractions, Pilditch brought AID to the Unlisted Securities Market three years ago—the first design group in the world to go public. Yet in all that time, Pilditch has retained an urbane, archetypically “English” reserve which is decidedly uncharacteristic of the glamour and brasserie in which the worlds of design and marketing so frequently indulge.

Throughout its steep ascent, Pilditch's company—recently rechristened Aidcom International to reflect its broader spread—has reflected his sense of public restraint, declining to adopt the sort of upbeat profile projected by the other publicly quoted “design” firms—Habitat/Mohr, with its consultancy subsidiary, Conran Associates; Fitch and Co; and Michael Peters and Partners, which last week joined the USM to the accompaniment of an exceptionally noisy campaign of self-promotion.

But things could be about to change. For at the age of 54, Pilditch is bowing out. In an announcement on Monday which doubly symbolised Aidcom's coming-of-age as a professionally-managed and (it is to be hoped) stable organisation, he revealed not only that it intends to graduate from the USM to a full Stock Exchange listing by next March, but also that he was stepping down from the chairmanship into the much lower-key role of non-executive director.

Into his place, at the head of a management team which has been largely home-grown or bought in with the nine companies—all but four of them tiny—that Aidcom has acquired since 1980, has moved Pratt Thompson, an ebullient 50-year-old American (he looks at least 15 years younger).

Thompson joined the company two years ago, to run its growing microelectronics business, from his post of chairman of IRI International under Sir Michael Edwards. Among his previous experience was 15 years with AIF, one of the older American conglomerates. So he is used to running a diversified business, which is just as well, since though Aidcom is nowhere near being a conglomerate, its rapid expansion could easily get out of hand.



James Pilditch (right) handing over to (l to r) Jeremy Fowler, Pratt Thompson and Monty White Trevor Humphries

A bold design for mastering the dangers of diversity

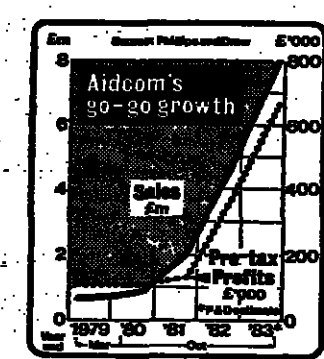
Christopher Lorenz examines the rapid expansion of Aidcom

Pilditch's stepping down—to concentrate on other things, on chairing the national committee which oversees the education of design and art technicians, though he will continue to play a significant role at Aidcom, on acquisitions and the like—is no sudden decision. Not only has the news been received entirely amicably, but “he has been talking about retiring ever since I joined him 12 years ago,” says Monty White, Aidcom's finance director.

“I'm a great believer in regeneration,” says Pilditch. “I've always felt it was wrong for design firms to rise and fall with their creators, like most of them do in both Europe and America.”

Even when AID was just a design firm, and all the complexities of diversification had not yet arrived, Pilditch was putting considerable emphasis on developing managerial talent, and sustaining its reputation.

As well as hiring several marketing experts in the 1970s from leading management consultancies such as McKinsey and PA, he went out of his way



to “professionalise” designers themselves, for instance by getting them directly involved with the marketing and financial aspects of their work.

At the top of AID, he built a strong team—notably White, Kevin McGurk and Bryan Brown, now head of AID—to whose managerial expertise he was perfectly ready to bow. Even a decade ago, when Pilditch owned 90 per cent of the company (he still holds over 10 per cent), he “often allowed himself to be outvoted by the board,” says White.

As well as devolving power in this way, Pilditch reinforced

staff motivation by introducing a profit-sharing scheme for all employees; some of the recent acquisitions coming their schemes to senior staff, but some harmonisation is likely in the future. Employee involvement in the financial fortunes of the firm has been reinforced by extensive buying of shares since Aidcom went public.

Pilditch, Thompson and White consider this only part of the answer to the City's inevitably insistent query about how Aidcom intends to preserve its most valuable asset—its people. In recent years, especially on the design side, the company has had an unusually good record, but will it continue? The trio replies that there is quite a number of staff on the market research side, but that a more significant factor is the company's management style, which Pratt Thompson describes as “letting people get on with it.”

Given the mushrooming size of Aidcom's empire, this implies a radical degree of devolution. The old AID's acquisition drive began in August 1980, four months before it went on the USM, when Pilditch achieved a long-

standing ambition with the purchase of its first market research company, Business Decisions. Together with the business itself, this brought it the talents of Jeremy Fowler, then only 36, whose star has since done nothing but rise.

Since then the key acquisitions have been MAS Survey Research; DVM Micro-electronics, which designed a rugged and highly successful handheld computer; and Cockman, Copeman and Partners (CCP), which specialises in top-level profit-sharing schemes and other financial services. To them have been added start-ups in “qualitative” market research (as opposed to the usual number-crunching) and “concept” development, which develops and launches products on its own account, rather than relying on income from consultancy fees.

Two more small acquisitions were announced on Monday: the first a maker of audio-visual programmes, the second, the small computer graphics firm whose work has included the Channel 4 symbol. Negotiations are also well advanced to buy a company which will expand CCP's provision of recruitment advice.

All this activity may seem dangerously reminiscent of the diversification mania from which big business has suffered since the late 1960s. But White and Thompson are emphatic that it has been both safe and necessary to build several more legs beneath the company.

All the same to the three legs that were apparent two years ago design, market research, and electronics—have since been added a potentially large geographic leg in the U.S., and a fifth one in financial services.

Even if it manages to “buy good management with the acquisitions,” as Thompson puts it—and it has not always done that—Isn't this too much for a company as young and small as the new Aidcom? And what's the unifying theme?

Senior services to senior managers,” is how Pilditch puts it. “Packaging services that really do add value,” says Thompson. But aren't such definitions so broad as to include, say, massage parlours? Pilditch is gently firm to the contrary. “Nor are we going into fish shops,” he says with a smile.

In more serious terms, the Aidcom board did develop detailed criteria for future acquisitions a couple of years ago. It will steer clear of advertising, for example, and of various sectors of design. Or will it? After listing the limits, Pratt Thompson can't resist a cheeky “but we won't be blind to new opportunities.”

Whatever their character, Aidcom is clearly still on the lookout for further acquisitions. It has already erected a meticulous planning and reporting system for its constituent businesses, involving particular attention to monthly cash flows, for example, but so far Monty White says that the board has had “to interfere” only once with what any of the units was doing.

It is with an eye to stimulating yet controlling further growth—both upwards and in breadth—that the board has just created a small central staff to augment White in the steering and supervision of the units. First, at the beginning of this year, he took on a financial controller from Peat Marwick Mitchell, the big accountancy firm. Then, in June, James Pilditch was elevated (over the old AID hands) from the top market research post to become the group's first chief executive. And now Pratt Thompson moves up from the electronics side to spend about half his time as executive chairman.

To some people—both inside and outside Aidcom—this may seem an over-elaborate structure for a relatively small company. But as James Pilditch says, “we needed a stronger management team. We've now got a suit that's one size too big for us, but we'll grow into it. Companies usually wait until they're creaking before they take this sort of action.”

Employee participation

IoD reacts to the Vredeling threat

WHEN it comes to putting its house in order, nothing spurs British industry more than the threat of legislation.

In the 1960s the advertising industry created its own voluntary codes of practice to forestall a Government which was beginning to thunder about poor professional standards.

At about the same time the threat of a statute book to control takeovers and mergers led directly to City self-regulation through the medium of the Takeover Panel. Similarly, the travel industry's own bonding system to protect consumers only came about when the Government started rattling its legislative sabre after the rash of company failures in the 1970s.

Now the Common Market's Fifth Directive on company practices, and in particular the so-called Vredeling proposals on worker participation, is having the same effect. A range of organisations from the Confederation of British Industry to the Institute of Personnel Management have rushed into the fray with initiatives of their own and today the Institute of Directors publishes a set of guidelines on employee involvement especially for the boardroom.

It covers existing legislative requirements as well as those requirements which could be enacted in the foreseeable future unless—the IoD says pointedly—“voluntary progress renders them irrelevant.”

Compared with the rest of Europe, there are relatively few legal requirements when it comes to employee participation in the UK. What there is is confined to directives about consultation on issues such as redundancies. The most recent UK enactment requires that companies of 250 employees or more publish in their annual report a statement describing the action that has been taken during the year to introduce, maintain or develop employee involvement.

Common Market directives, if implemented in the UK, would take this much further. They would, for example, require companies to disseminate on a regular basis information to employees on investment programmes and rationalisation plans.

The IoD believes that the directives could give an-

employee representatives a right of veto over strategic decisions, the effects of which “could be seriously disruptive.”

Along with most other trade and professional bodies the IoD prefers the voluntary approach.

“It is the institute's view that such a highly prescriptive legislation would be unsuitable in the UK and could be counter-productive to genuine attempts to improve employee involvement. To be successful employee involvement requires commitment, flexibility and different systems for different companies. None of these will be achieved by the draft directive.”

The IoD guide recommends a wide range of options for effective employee involvement, among them a selection of techniques for better communications and consultation, quality circles and employee incentives such as share ownership, co-ownership and profit sharing.

The IoD suggests a range or combination of methods may be used to achieve the former, among them briefing groups, employee reports/newsletters, regular addresses by top management, public address equipment, closed circuit TV and video, suggestion boxes and notice boards.

It suggests either a formal structure of consultative committees or works councils for the latter. In larger companies a series of committees may be more appropriate, with workplace committees feeding views to plant committees and thence to company-wide committees, it adds.

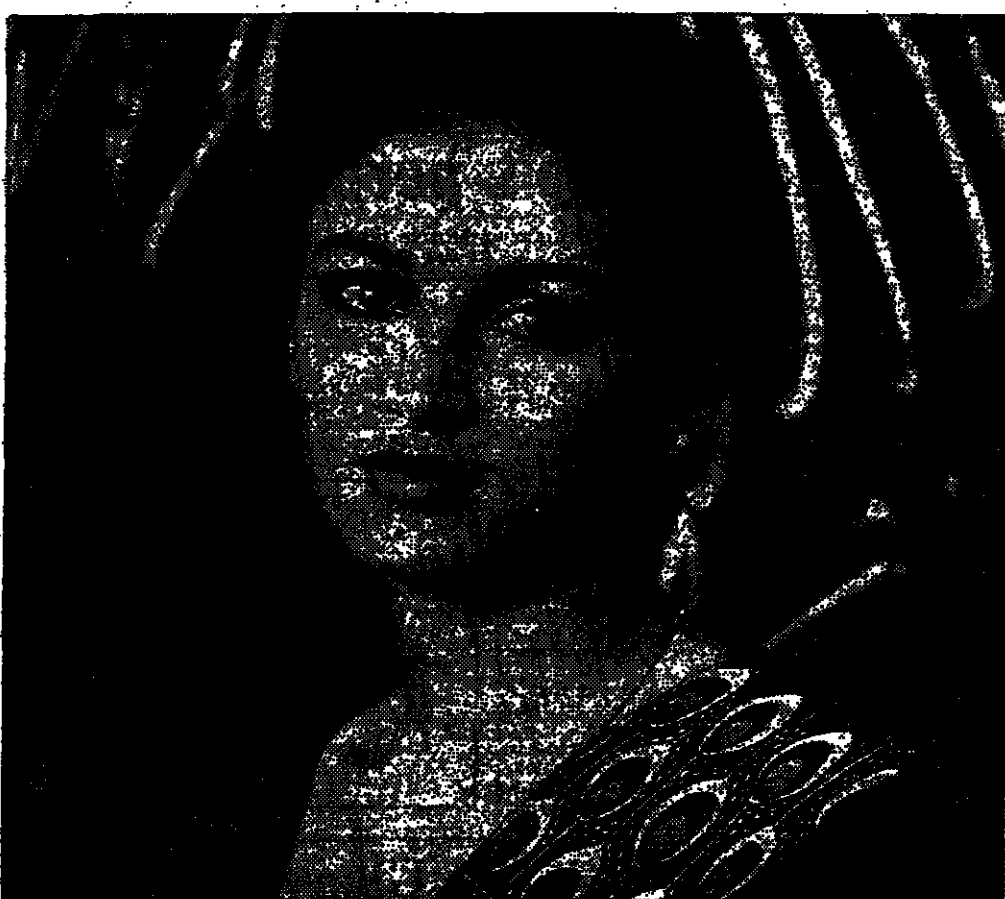
Employee representatives, says the IoD, should normally be elected by a ballot of all employees, not just trade union members, while consultative committees should be chaired by the highest appropriate level of management, possibly a board member.

Financial participation can be achieved by a range of measures from Save-As-You-Earn (SAYE) schemes linked to options to purchase shares to co-operatives and partnerships.

One specific approach mentioned is the “added value” concept, which integrates profit-sharing with the negotiating of wages and salaries.

Arnold Krandsdorf

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Notices to Holders of 5% Guaranteed (Subordinated) Convertible Debentures Due February 1, 1984 of Commonwealth Overseas, N.V.

Iota Industries, Inc.

(Formerly Commonwealth United Corporation)

On October 27, 1983, the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) entered an order (the “October 27 Order”) authorizing the Estate of Iota Industries, Inc., presently in bankruptcy proceedings, to pay a dividend to Chemical Bank (“Chemical”) an interest-bearing promissory note of the 5% Guaranteed (Subordinated) Convertible Debentures Due February 1, 1984 (the “Debentures”) of Commonwealth Overseas, N.V. (“Overseas”) guaranteed by the Iota Industries, Inc. (Formerly Commonwealth United Corporation) (the “Guarantee”). Pursuant to the October 27 Order, the Bankruptcy Court further approved an agreement among Overseas, Chemical, and the Iota Estate providing for additional payments to be made by Overseas to Chemical on account of the Debentures.

Pursuant to the October 27 Order, it is anticipated that there will be available for payment to holders of the Debentures all principal and interest on February 1, 1984 with respect to the Debentures from the following sources: (a) the Iota Estate will deliver to Chemical payment representing 66% of (1) the principal amount of the outstanding Debentures and (2) interest accrued through July 26, 1977, the date of Iota's petition for bankruptcy; and (b) Overseas will deliver to Chemical payment representing all additional amounts of principal and interest in respect of the outstanding Debentures to February 1, 1984.

Pursuant to the October 27 Order, payments by Chemical on account of the Debentures and coupons to holders thereof are subject to the continuing jurisdiction of the United States Bankruptcy Court and are to be governed by, and subject to, the terms of the October 27 Order and all existing and future orders of the Bankruptcy Court. Holders of the Debentures may present their Debentures and coupons attached thereto for payment by obtaining a Letter of Transmittal from Chemical at the address set forth below, and completing a Letter of Transmittal and returning the completed Letter of Transmittal with their Debentures as follows:

By Mail:
Chemical Bank
55 Water Street
New York, New York 10041
(Attention: William H. Boris)

By Hand:
Chemical Bank
55 Water Street
Room 204
2nd Floor—North Building
New York, New York

In order to receive payment on account of the Debentures, the holder must present his or her Debenture with the August 1, 1977 all interest-bearing coupons attached to Chemical for payment with the completed Letter of Transmittal on or before February 1, 1984.

Dated: November 9, 1983

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PORTUGAL

COMPANY NEWS BIDS AND DEALS

Investment gains bolster Yarrow

DISPITE LOSSES at the trading level at Yarrow, pre-tax profits of £1.2m against £806,000 have been shown for the year to the end of June 1983 after investment income and sales. Turnover of this engineering consultancy and transaction process engineer, slipped to £21.2m compared with £21.8m.

At the trading level losses grew from £155,000 to £288,000. However these were offset, by investment income and interest of £997,000 (£1.13m) and investment sales profits of £1.2m (£105,000). Pre-tax profits were £1.2m after group central costs of £806,000 (£598,000).

The final dividend has been lifted by 1p to 7.5p, raising the total from 9p to 10p. Earnings per share rose to 5.5p as rising from 5.0p to 5.15p.

The directors say that trading results were seriously affected by unsatisfactory performance from Automatic Revenue Controls and actions have been taken to remedy the situation. At the halfway stage the directors warned that further losses would be made.

The considerable loss incurred by the company has more than outweighed the good results of YARD and Control Systems. Investment in development projects has continued and expenditure during the year has been over £1m, all of which has been written off against annual trading profits.

Michael Page places 25% of equity on USM

The Michael Page Partnership, a consultancy group specialising in executive search and recruitment in the accountancy and finance, is coming to the Unlisted Securities Market by way of a placing of 1,465,000 shares at 90p. The shares, representing almost 25 per cent of the equity, have been placed by brokers Phillips and Drew.

Of the placing, 865,000 shares have been sold by existing shareholders, and 500,000 are being issued by the company to raise about £130,000 to cover expenses. At the placing price of 90p, the company, which was founded in 1976 by Michael Page, the chairman, and William

McGregor, the managing director, operates principally from London and four regional offices in the UK.

The directors believe that the group is one of the largest selection and recruitment consultancies in the UK.

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Allianz set to top BAT's record bid for Eagle Star

BY ERIC SHORT

ALLIANZ Versicherung, West Germany's largest insurance group, seems poised to top the record £798m bid for Eagle Star Holdings made last week by BAT Industries.

A statement issued yesterday by Allianz's advisers, Morgan Grenfell, says it notes with interest that the board of Eagle Star has accepted the £798m cash offer from BAT to place a fair and reasonable value on its equity.

Allianz made a 500p a share cash offer for Eagle Star, more than a fortnight ago, having brought its stake in Eagle Star up to 29.9 per cent. But at the time, Allianz made it clear that its objective was to increase its stake to about 40 per cent, a move that it considered would have given it effective control.

Yesterday's statement from Allianz says that the company is now giving serious consideration to increasing its offer for

Eagle Star, thus making a genuine full bid for the group and abandoning its intention of control through cross holdings—a common practice in West Germany.

The indications are that Allianz would expect Eagle Star's board to back an offer above £798m.

But before Allianz makes its move, it wants to be sure that its bid will not be referred to the Monopolies and Mergers Commission and that the Department of Trade and Industry has given all the necessary consents, including approval of change in ownership of Eagle Star required under the 1982 Insurance Companies Act.

The Office of Fair Trading submitted its report on both bids last Friday to Mr Norman Tebbit, Secretary of State for Trade and Industry. His decision is expected by this Friday.

However, since the OFT submitted its report within two days of the BAT bid being announced, the implications are that neither bid will be referred.

The DTI insurance division also expects its decision on change of ownership to be given at the same time and there do not appear to be reasons for withholding consent.

Allianz has asked for detailed information on Eagle Star's business and prospects in accordance with Rule 12 of the City Code on Takeovers and Mergers. Eagle Star is providing this information as quickly as possible but it could take a few days, Allianz does not expect to make up its mind until it has this information.

BAT's chairman, Mr Pat Sheehy, is out of the country. But the statement stated that it is studying Allianz's statement and will make a response if appropriate.

Fraser gets voting restriction

BY CHARLES BATCHELOR

More (Nominees) from being used to vote on resolutions proposed by the Harrods group, as set against assets worth £12m. A company spokesman said yesterday that gearing had fallen to 130 per cent because the majority of Westminster shareholders had opted for shares rather than cash.

At the time the stock exchange approved the Milbury bid, plans for the sale of the Harrods group were being considered. At the time of the Milbury bid, plans for the sale of the Harrods group were being considered.

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MINING NEWS

A reversal in Amcoal's rising earnings trend

BY KENNETH MARSTON, MINING EDITOR

THE WEAKNESS of the international coal market has broken the rising earnings trend of Amcoal American Coal Corporation which has been maintained since the big South African coal group was formed in 1978.

In June this year Mr Graham Boustead, the chairman, warned that profits would be lower in the current year to next March. It now looks as though there will be a further decline in the following financial year.

Amcoal reports that earnings for the six months to September 30 have come back to R51.1m (£13.3m), a fall of 10.5 per cent on the R60.4m earned in the same period of 1982-83. The latest earnings equal 221 cents per share, providing a slight cover for the maintained interim dividend of 50 cents; the previous year's final was 95 cents.

Coal and coke sales in the first

half of the current financial year fell to 16.78m tonnes and 314,000 tonnes respectively. They compared with 17.1m tonnes and 314,000 tonnes in the same period of 1982-83.

But these favourable circumstances will not be repeated in 1984 and profits from coal exports will be "significantly lower." However, further growth in the group's domestic business will assist in countering the adverse conditions in export markets.

Amcoal shares have come back from a year's high of £18½ to £13½ yesterday at which level they seem to be just about fairly priced. The yield of 6 per cent is based on a dividend that should be comfortably maintained while the group, with its impressive coal assets, soldiers on through the present difficult times until economic recovery gets through to heavy industry, and the coal trade.

put figures are compared in the following table.

Of the mines that have completed four months of their financial year, Amcoal has produced 380 tonnes against 362 tonnes, Ayer Hiam 454 tonnes (445 tonnes) and Tougkhar Harbour 136 tonnes (98 tonnes).

On the other hand, MNC has produced a lower nine-month total of 4,320 tonnes against 5,701 tonnes a year ago while Berjunta's six-month total of 1,033 tonnes goes against 1,281 tonnes and Sangei Besi's seven-month output of 331 tonnes compares with 547 tonnes in the

same period of 1982.

This is no guide to their sales because presumably part of the production will be going to raise stockpiles to permit levels. While its tin concentrates production was lower in October, Tronoh's total for the first 10 months of the company's financial year amounts to 637 tonnes against 424 tonnes in the

same period of 1982.

The group's latest monthly output figures are compared in the following table.

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Variations in Eastern tin output

DESPITE tin export controls imposed by the International Tin Council in its efforts to reduce surplus metal stocks—and the consequent closures of dredges, some of the Far Eastern companies in the Malaysian Mining Corporation group are still producing tin concentrates at a good rate.

This is no guide to their sales because presumably part of the production will be going to raise stockpiles to permit levels. While its tin concentrates production was lower in October, Tronoh's total for the first 10 months of the company's financial year amounts to 637 tonnes against 424 tonnes in the

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Virani pays £5m for 34 BR properties

By Charles Batchelor

Virani Group, the privately-owned hotel company, has bought 34 British Rail properties for nearly £5m in advance of the auction scheduled for November 17.

The mixture of freehold office, retail, commercial and residential properties and vacant sites produces an annual rental income of £337,570.

The properties are mostly in the London area including sites in Acton, Ealing, Harrow and Walthamstow. Virani, whose chairman is Mr Nazim Virani, a Tigris-based Asian, did the deal jointly with a Middle Eastern associate Mr Isahq Yacoub.

Agents for the British Rail Property Board were Pepper, Angell & Ward.

February this year Virani bought eight of the 21 British Transport hotels which were up for sale, paying £4.6m. This was the largest single group of hotels sold by BR.

Virani recently acquired the Penwith Leisure Park at Penzance, Cornwall, from a German private company for more than £1m.

It has also acquired the 97-room Berkeley Hotel in Worthing from M. F. North, which is owned by Peter and Frederick Barclay, for an undisclosed sum. The hotel also has 18 self-contained suites.

Aitken Hume

Aitken Hume (Holdings) through its wholly owned subsidiary Investment Intelligence and Aitken Hume Funds (Management) has acquired 500,000 shares (5.8 per cent) in NMC Investments, Beneficial owner of Aitken Hume Secure Income Fund.

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Shaw & Marvin optimistic

CONTRARY to expectations at midway by Shaw and Marvin that interim losses of £211,335 would be substantially reduced at the year end, pre-tax losses have climbed sharply from £85,000 to £245,000 for the year to the end of March 1983.

Action taken by the directors during the last few months beginning to show results they say. The position has improved considerably since the year end and a surplus of more than £240,000 is likely to be produced from the closure and proposed liquidation of Shaw and Marvin (Dyers).

The directors say that the group is no longer involved in dyeing and mercantile and textile interests are now confined to two knitwear businesses.

To strengthen the balance sheet a rights issue may be made. The company previously raised £247,000 by way of rights in March 1982.

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Grand Met in holiday buy

Grand Metropolitan has bought tour operator Travelodge for an undisclosed sum. The move, which was revealed at the annual convention of the Association of British Travel Agents' convention in Palma, Mallorca yesterday, gives Grand Met control of the single operator in the overseas short holidays market.

Travelodge will this year carry a line over 100,000 Britons on short holiday tours to nearby continental destinations such as the Benelux countries and France. The company is particularly strong in bulb field tours to the Netherlands.

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TECHNOLOGY

VENDING SYSTEMS

Coin counters

A SMALL company based in Telford, Shropshire has developed a new type of coin counting mechanism which could improve the reliability of vending machines.

Chapman Cash Processing, CCP, is a small British company set up in 1981 with funding amounting to £250,000 from Venture Founder Capital, a U.S. business investment company. It has grown from a business based in the front room of founder Colin Chapman's home to a Telford factory now employing nearly 90 people.

This year it had a turnover of £1.5m but it expects to at least double that figure in the next 12 months based on current orders.

With its new device, the company hopes to win a major share of a £7m European market for coin validation in the vending, amusement and video game sectors. At present, this market is dominated by Mars Money Systems and Coin Controls.

CCP says that its system is

half the price of its competitor's mechanisms and is far more sophisticated. The unit costs £29 and is designed as a throwaway unit for easy maintenance.

The validation unit contains only one moving part and is made up of only five electronic components. It can be programmed to identify any coinage from any country in the world. It can even discriminate between different vendors' tokens—something which has been a problem in the past.

The company also says that the unit is jam proof and it has circuitry designed to detect attempts to defraud the machine into which it is incorporated. CCP specialises in coin counting machinery. Last year it won a large order to jointly develop British Telecom's All Change system which monitors London's 11,000 public telephones and counts the eight or so tons of coins which are inserted in the capital's public telephones every week.

ELAINE WILLIAMS

MANAGEMENT DECISION TOOLS

Mapper from Sperry

SPERRY HAS launched a computer system called Mapper 10 which is described as being suitable for "computer professionals and non-experts alike."

The system has new hardware and the latest version of the company's visually based Mapper language. Built around an integrated database arranged like traditional filing cabinets with drawers of electronic data files, Mapper 10 constitutes an economical, dedicated systems approach to solving information needs "at any organisational level."

Sperry Computer Systems says that Mapper 10 is an easily used management decision tool that allows executives,

middle managers and administrative personnel to organise, manipulate and extract the information they need for planning and controlling business operations.

Using simple commands, the system offers colour graphics, word processing, electronic mail and related office functions, as well as carrying out sorts, searches, merges and arithmetic computations that support the "what if" decision making process.

But for DP professionals, Mapper is also a powerful time and cost saving aid for developing even the most sophisticated applications programs. More on 01-965 0511.

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RENOLD

COMPUTERS ENTER THE BIOTECHNOLOGY WORLD TO HELP DESIGN NEW DRUGS

Machines that design molecules

BY STEPHANIE YANCHINSKI

THE UNPROMISING economic future of many biotechnology companies could be turned around by the clever use of computers. This is the opinion of a growing band of entrepreneurs in the computer industry who see important market opportunities in the fast growing biotechnology business, and who are starting up small firms offering software and hardware to fill the gap.

Formerly, the fate of many biotechnology "boutiques" rested in the hands of genetic engineers, those bench scientists skilled at transforming ordinary bacteria into little factories for producing scarce human proteins. But practiced though they were at transferring bits of genetic material from one animal to another, commercialising such experiments into roadblocks which it now appears only computers can clear.

However, the potential impact of computers in the biotechnology industry does not end there.

For so many years now the larger, chemical and pharmaceutical companies have been using computer graphics to picture the molecular configurations of their most promising chemicals or drugs with an eye to redesigning new products, but by conventional chemical methods.

Now, however, an entirely new range of products worth billions of dollars, according to some estimates, awaits the marrying of computer graphics to the new genetic manufacturing technologies.

One of the keywords to this fast growing corner of the computer industry is "artificial intelligence."

This is the ability of computers not only to store vast quantities of data but also to analyse this information in complicated ways which mimic human thought and decision-making. In the biotechnology industry, where the complicated business of scaling up from laboratory to commercial plant is just beginning, production engineers already need the help of AI to design new processes.

Biotechnology production using genetically engineered bacteria presents special problems not yet encountered in the more traditional antibiotics industry based on more conventional microbes.

Aside from the still worrying question of safety which places an extra containment burden on

the manufacturer, these bugs require a strictly controlled and delicately balanced environment, food nutrients, and the other substances it needs to grow, such as growth promoters, a touch of acid, minerals, oxygen must all be added in the correct amounts, and in the correct order.

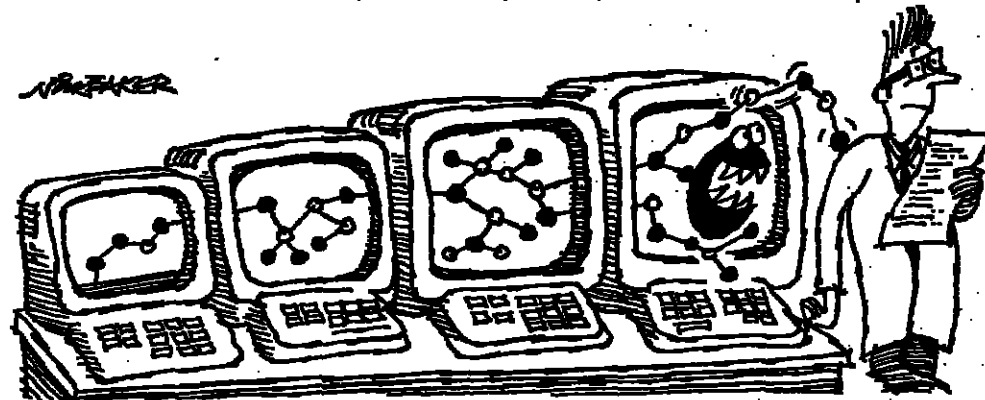
Much of this technology is still black art, but computers offer the opportunity to make these processes more efficient, and so improve their chances of competing successfully with more conventional technologies.

IntelliGenetics is a small AI company based in Palo Alto, California, set up in 1981 to focus on the expanding biotechnology industry. Today, the company offers a range of software programs for storing information of use in production and research. For example, data on proteins, the products of most of these companies and the complicated structure of DNA, the blueprint the cell follows in making proteins and which these companies wish to alter. Their programs will also access the enormous "gene banks" stored in research centres in Washington and in the European Molecular Biology Organisation, in Heidelberg.

However, for the process engineer bewildered by the intricacies of designing a biotechnology production line from scratch, IntelliGenetics offers KEE—Knowledge Engineering Environment program. This is a software system for planning experimental systems, designing new equipment and for scaling up.

Dr Paul Armstrong, head of biotechnology at IntelliGenetics says "as you would expect, our customers include the new biotechnology companies but also larger firms such as Monsanto."

"They find that building up their own artificial intelligence



program would require capital investment and hiring new staff. They find it easier to buy it in."

However, promising these applications are, the real profits probably lie in developing software programs to design new biological molecules, which could then be made conventionally or by genetic engineering. There the big drug houses are already deeply involved, they are locked in a race to design a new family of antihypertensive drugs based on the detailed structure of renin provided by computer graphics.

Renin is an enzyme which research has linked to high blood pressure. Finding a chemical which blocks its action could be worth billions of dollars, and according to a report in McGraw Hill's biotechnology Newswatch, the two leading contenders are Upjohn Company and Merck Research Laboratories, both American.

In the blood renin cleaves a precursor hormone, angiotensinogen, to release angiotensin, which powerfully constricts blood vessels, a vital first step to raising blood pressure.

Scientists think that by picturing the molecular "bumps" and "crevices" of first renin, the angiotensinogen, and then the two "docking" together, they may be able to design an effective renin inhibitor.

Dr Aquitaine and Roussel Uclaf, in France, Ciba Geigy in Switzerland and ICI and Burroughs Wellcome in Britain are not far behind the two front contenders.

What is seen on the screen is not only a three-dimensional model of these forces, represented by a delicate tracery of lines, but also a fuller shading of the surfaces of these molecules, using millions of dots.

Blundell's work indicates the quality of computer software programs tucked away in British universities and research organisations which may be of great commercial value. A small computer hardware company, Gresham Lion, spotted the opportunity and recently licensed a software program for modelling anticancer drugs from its developer, Professor Stephen Neidle, head of the biomolecular team at King's College, a group supported by the Cancer Research Campaign.

John Sturt, Gresham's sales director, says: "We were impressed because it is faster and cheaper than other software packages about."

Renin is but one of the enzyme proteins whose function depends on a strict order of amino acids, programmed by genes in the cell's nucleus.

As nature's catalysts, enzymes control all of the chemical reactions in a living cell, including the manufacture of DNA. In humans enzymes digest food, build up muscle, help transmit nerve impulses, and dispose of wastes. In industry, enzymes have long played a distinguished role in brewing, cheese making and in tanning leather. This

market alone is worth \$300m a year, according to a report by the American Office of Technology Assessment, a congressional think tank based in Washington.

Like all proteins, an enzyme's activity depends on its amino acid building blocks, which spread a net of electrical forces holding the molecule in a particular configuration. If the careful balance is upset, the enzyme fails to function properly. On the other hand, by tinkering the molecule a slightly different way, its activity could be vastly improved. This is not only of academic interest; for example, the production of liquid sweeteners extensively used in food processing uses three enzymes to convert glucose into its sweeter equivalent, fructose. One of these enzymes fails to "grapple" properly with its glucose, and so is an obvious candidate for computer graphics and genetic engineering.

Cellulases, which break down fibrous plant material to alcohol, are another commercial target for these techniques, as the search continues for alternative sources of cheap fuel.

Genetic engineers could improve an enzyme's activity by slightly altering the gene programming its production in the cell. But which part of the gene is important? Enzymes consist of hundreds of amino acids, and it is likely that only a computer could, by picturing its surface as it docks with its selected substrate, pinpoint which one was important.

The Science and Engineering Research Council, Britain's main funder of biotechnology research, recognises the importance of "protein engineering" and plans to set up a multi-disciplinary research programme involving industry next month. But Tom Blundell comments that "although the possibilities are tremendous, industry is still wary, because it is so new."

Nevertheless, the future is here now.

A group of British researchers recently achieved the improbable and used computer graphics and genetic engineering to construct for the first time anywhere a better enzyme. It took the group ten years to achieve this. Nevertheless, Dr Greg Winter, co-ordinator of the project at the laboratory of molecular biology in Cambridge, says "somewhat facetiously" "we're on the way to creating the first Martian."

ENGINEERING
Computerised data base

THOSE CONCERNED with the maintenance of machinery and components might be interested in a computerised database called Midas that provides engineers with information on a wide range of defects and failures.

Originally conceived in the Royal Navy, the database has been built up and used over 15 years and consists of logged defects in electrical, electronic, hydraulic and mechanical systems and components.

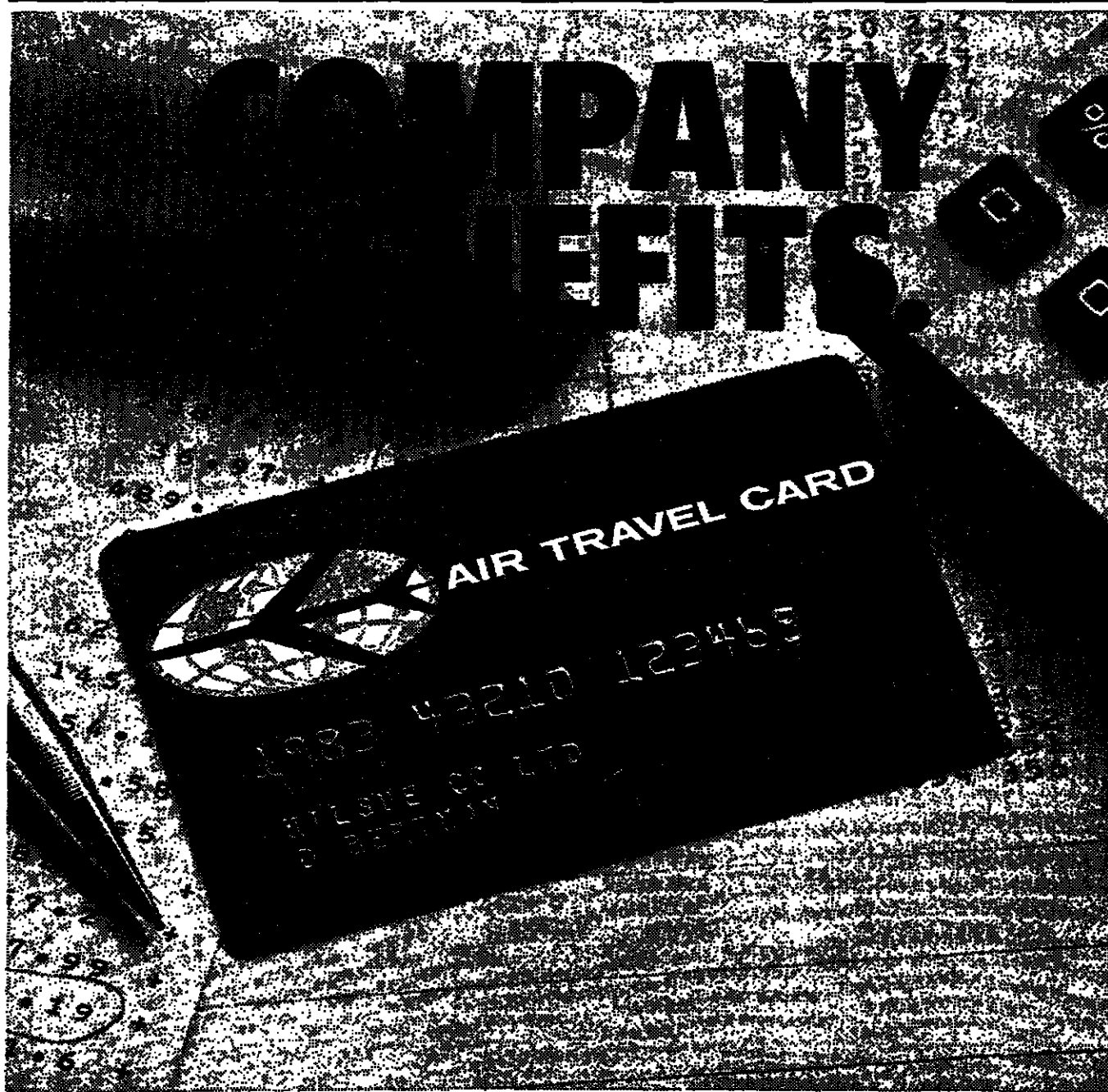
In its naval role Midas supplies data as a free service to the Ministry of Defence. But MOD has now made the data available at negotiated prices to industry in a vetted form. More on 041-204 2737.

INFORMATION
Expert systems

HARDLY OUT of the laboratory, expert systems (which combine computer memory and artificial intelligence to aid the professional) are already becoming a commercial proposition.

Latest to appear is Nexus, said to be the first financial expert system—or rather family of expert systems, for Nexus is the nucleus of a series of products which include a financial adviser, investment adviser and tax adviser.

The financial wisdom of the experts is stored in the database—the customer is advised by the system through a question and answer sequence. According to Heite, which is marketing the product "As Financial Adviser can be used by anyone the professional can be presented with a full analysis prepared by a junior." More on 01-248 1774.



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GOLD

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WALL STREET

Not a day
for big
decisions

THE ABSENCE of trading on federal bond markets - closed for election day - took the bounce out of the rest of Wall Street's financial sectors yesterday, writes Terry Byland in New York.

Treasury bond futures, however, were traded and a firmer tone in the near-dated quotations helped the stock market as well as municipal and corporate bonds.

The Dow Jones Industrial average closed up 0.10 at 1,214.94.

A satisfactory outcome to Monday's auction of \$8.5bn in three-year Treasury notes calmed some of the fears surrounding the immediate outlook for interest rates. Yields on the notes were set at 11.11 per cent, in line with expectations but up from 10.85 per cent at last week's auction of similar notes.

Yields at the traditional weekly auction of Treasury bills the same day showed gains of around 40 basis points over levels of last week. Dealers seemed more confident on prospects for this week's auctions of 10-year notes and 30-year bonds but remained unhappy with the weight of Treasury funding to be met before the end of the year.

The delay in raising the debt limit has left the Treasury to raise around \$42bn within 35 trading days - meaning perhaps as many as 20 auctions. These technical factors alone are likely to force short-term rates higher.

In the stock market, a major disappointment was the reaction of General Motors to a substantial increase in dividend. Shares in the motor giant fell 5% to \$74.4, extending Monday's sharp fall on the financial problems at IBM Holdings, in which GM has a 20 per cent stake and debt involvement.

Other major stocks recorded small, mixed price changes in this trading. With the banks closed for retail business and their securities trading desks only thinly staffed, it was no day to make significant investment decisions.

Further support took IBM up 5% to \$122.4. Honeywell fell 5% to \$123.4. Digital Equipment was \$1 up at \$60.4 and Commodore International 5% up at \$33.4.

But NCR slipped 1% to \$124.4 and Texas Instruments at \$123.4 shed 1% on renewed selling.

Monsanto, 5 1/2% off at \$102.4, was another stock hit by a resumption of recent selling and further profit-taking took Burlington Northern down 1% to \$100.4. But on the other side of the scales Merck, the pharmaceutical group, put on 5% to \$36.4 and General Electric was strong at \$52.4, a gain of 1%.

Telcel, the computerised financial data group in which Exco of the UK holds a major stake, put on 5% to \$19.4 following results.

December contracts in Chicago showed price rises of some 1/2% for Treasury bonds at 70-76, four basis points for bills, and six for CDs.

Municipal and corporate bonds edged forward although trading was restricted by the closure of the government bond markets. A quotation of 100% was indicated for the key federal long bond, the 12 per cent of 2013, but this remained untested.

EUROPE

Frankfurt
shakes off
its troubles

THE RETURN of some foreign buying interest to Frankfurt enabled the market to shake off the worries associated with SMH Bank, construction equipment concern IBE, Arbed-Saarstahl and the collapse of the Thyssen-Krupp steel merger - a confluence of corporate troubles which had swung prices lower over the past week.

The decisive and level-headed way in which the bank rescue was seen to be effected aided sentiment, as did the progress towards staving off insolvency at Saarstahl.

This brought a resumed assault on the 1,000 level of the Commerzbank index, which had been briefly attained before the difficulties set in. It finished 9.3 up at 996.5.

The thwarted steel pair were both firm. Thyssen up DM 2.20 to DM 78 and Krupp steady at DM 68. Most banks rallied, with Commerzbank DM 2.30 ahead at DM 166.80 and Deutsche Bank DM 1 better at DM 305. Allianz, considering a second try for control of the UK's Eagle Star, jumped DM 15 to DM 799.

Thin bond trading left prices a quarter-point either side of the previous close as the Bundesbank sold DM 14.6m in paper after Monday's purchases worth DM 80.9m. It also provided DM 4.6m in 28-day repurchase agreements at 5.8 per cent and continued to offer Schaudtscheine promissory notes at about 8.10 per cent.

Amsterdam impetus dwindled as operators were alert for any ill effects on industry resulting from public sector pay action escalating this week in postal, rail and other services.

A U.S. shift to selling in Philips took it FL 1.50 lower at FL 41.70, while ABN led banks FL 2.50 down at FL 339.

Domestic bonds steadied quietly as the central bank offered 5% per cent one-week special advances for tender this morning.

Brussels buying campaign lost some momentum although most first-liners still closed to the good. An exception was Petrofina, off Bfr 30 to Bfr 5,870, while a share issue from Société Générale de Belgique pulled it Bfr 15 down at Bfr 1,585 in heavy dealings.

Arbed firmed Bfr 2 to Bfr 1,192 as the resolution of the Saarstahl woes neared.

Light Zurich trading left leaders barely steady as interest rate uncertainties dominated. Jacobs Suchard made the best of the going, up SwFr 75 to SwFr 8,450 while chemicals turned mixed and banks showed muted gains - SwFr 10 apiece for Union Bank at SwFr 3,310 and Bank Leu at SwFr 4,010.

Attention in the domestic bond market focused on new 4% per cent issues from Credit Suisse and retailer Globus, which each traded at about a half-point discount to issue price.

The strongest Paris performance in an otherwise narrowly mixed session came from Michelin, which surged FFr 70 to FFr 805 on its first-half showing and forecast of a considerable improvement on the year. Creusot-Loire, by contrast, slid FFr 3.30 to FFr 46.20 as its difficulties intensified.

Bonds firmed despite an eighth-point rise in call money to 12% per cent, as the Bank of France bought some FFr 20bn in paper at an unchanged 12% intervention rate.

Milan fared poorly with the exception of Olivetti, up L60 to L3,260 after slipping L45 on Monday. The volatility is attributed to a restructuring of its share capital including the buying back of a parcel from Saint Gobain of France, re-sold in part to a U.S. fund, and the provision of a stake to CIT-Alcatel instead.

Italcementi shed L800 to L44,800, insurer Toro L210 to L11,200 and Banca Commerciale L200 to L26,800. Bonds were selectively firmer.

A moderate Stockholm revival found foreign buyers for Alfa-Laval, SKr 6 ahead at SKr 257, and Asea, which nonetheless fell SKr 15 to SKr 340.

Profit-taking continued in Copenhagen, affecting all sectors but with the greatest resilience identifiable among stocks which are internationally known and held. Novo and Brewer Forenede, two examples, were each unchanged.

Oslo was also subject to selling, with Norsk Hydro off Nkr 13.50 at Nkr 489, Madrid was led upward by steels, foods and chemicals.

TOKYO

Incentive
remains
elusive

INVESTORS remained on the sidelines in Tokyo yesterday in the absence of fresh incentives, but light buying by foreigners brought some life to the equity market which had fallen for five sessions in a row, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average gained 3.05 to close at 9,319.26 on a still meagre volume of 195.10m shares, although up from the previous day's 122.97m, the year's lowest. Declines edged ahead of advances by 333 to 323, with 176 issues unchanged.

Investors seemed reluctant to participate in the market, discouraged by Middle East tension, uncertain U.S. interest rate prospects, growing speculation that the Japanese House of Representatives would be dissolved at the end of the month for a general election in December, and the yen's weakness against the U.S. dollar.

However, some market operators increasingly took the view that the market had hit bottom, noting that the Nikkei-Dow barometer had maintained the 9,300 level for nine successive sessions and that foreign investors had begun to issue buy orders, even though in small lots.

European investors bought such blue chip stocks as Kirin Brewery, NEC and Honda Motor in lots of 200,000 to 300,000 shares each, and around 700,000 shares of the Ricoh stock through four major securities houses. NEC rose Y10 to Y1,340, and Ricoh Y10 to Y1,020, while Honda Motor lost Y20 to Y1,010, and Kirin Y1 to Y449. Other blue chips were also mixed.

Among popular purchases were pharmaceuticals, with Taisho Pharmaceutical climbing Y20 to Y900 in sizeable cross-trading. Dai-Nippon Pharmaceutical rose Y60 to Y3,190 and Daiichi Seiyaku Y25 to Y980 in sympathy. Godo Shusei surged Y57 ahead to Y577 on reports of speculative buying.

Reflecting growing uncertainty, bond market trading remained slow, with institutional investors and brokerage houses retreating.

City banks were reluctant to sell their holdings as bond prices matched the lowest October level.

Another negative factor was the sale by the Bank of Japan of short-term government securities worth Y300bn, maturing on December 5.

The yield on 7.5 per cent government bonds, due in January 1983, rose a slight 0.01 per cent from the previous day to 7.77 per cent.

LONDON

Underlying
resilience
shows up

TOP QUALITY shares demonstrated their underlying resilience in London yesterday, largely picking up declines seen early in the session.

The FT Industrial Ordinary index, which was down 2.3 at the first calculation of the day, ended the session 1.3 lower on balance at 720.1.

Among insurances, Eagle Star ended the day down 7p at 608p - little affected by the announcement that Allianz of West Germany was considering a revised offer.

Government securities drew encouragement from the slightly improved tone of U.S. bonds overnight and longer-dated stocks managed a half-point gain.

South African golds had a healthier day, buoyed by the firmer bullion price while Australians remained firm. Details, Page 29; Share Information Service, Pages 26-27.

AN ACTIVE Sydney advance was led by base metal mining issues, with uranium interests again prominent following clearance by the ruling Labor Party allowing exploitation of the country's reserves. The all ordinaries index put on 7 points to 700.3, its first return to that level for nearly a month.

Mr Rupert Murdoch's News Corporation gained 14 cents to AS\$8.80, a two-day rise of 30 cents.

A FIRM bullion price enabled gold shares to continue to lead Johannesburg higher in fairly active trading. But the largest advance of the day was seen in Indumeni, a defunct coal mine being used by Anglo American as the vehicle to acquire a 20 per cent interest in Allied Technologies, South Africa's largest electronics group.

Indumeni jumped 95 cents to R3.20, reinforcing speculation that a group of investors is putting pressure on others who have sold stock short.

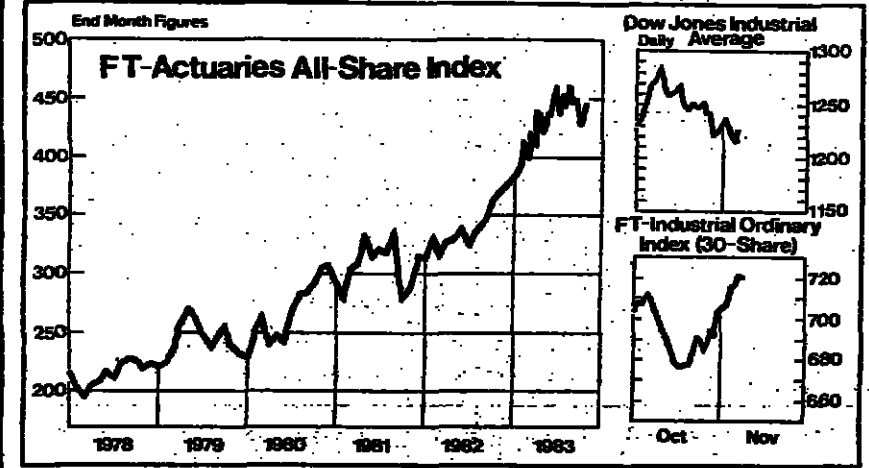
SINGAPORE

NERVOUSNESS
became apparent
in Singapore
over the developing
constitutional crisis
in Malaysia as the
Prime Minister and
the country's ruling
sultans came into
the open.

Brokers were reportedly advising clients not to jettison their holdings, but falls outnumbered rises 143 to 11 with 178 unchanged, and the Straits Times industrial index retreated 12.45 to 921.08.

Cerebros, the day's most active on 683,000 shares, dipped 3 cents to S\$2.05. Malayan Cement declined 25 cents at S\$8.40 and Genting 12 cents to S\$4.58. Banks were also unsettled, with Malayan Banking off 15 cents at S\$9.10.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 8	Previous	Year ago
NEW YORK			
DJ Industrials	1214.94	1214.84	1037.44
DJ Transport	585.88	583.05	444.02
DJ Utilities	136.61	137.57	121.49
S&P Composite	161.76	161.91	140.44
LONDON			
FT Ind Ord	720.1	721.4	622.9
FT-A All-share	447.43	447.28	382.23
FT-A 500	484.91	484.63	427.75
FT-A Ind	440.51	440.85	398.21
FT Gold mines	492.2	474.5	375.8
FT Govt secs	82.09	81.9	84.94
TOKYO			
Nikkei-Dow	9319.26	9316.21	7551.66
Tokyo SE	682.97	682.62	555.89
AUSTRALIA			
All Ord.	700.3	693.9	518.9
Metals & Mins.	524.4	517.9	428.5
AUSTRIA			
Credit Aktien	54.25	53.92	47.79
BELGIUM			
Belgian SE	126.5	126.36	99.35
CANADA			
Toronto Composite	2411.3	2396.6	1865.0
Montreal Industrials	421.30	419.59	331.77
Combined	407.15	404.73	317.04
DENMARK			
Copenhagen SE	189.51	194.66	92.02
FRANCE			
CAC Gen	140.6	140.2	101.5
Ind. Tendance	149.0	148.5	120.6
WEST GERMANY			
FAZ-Aktien	335.1	332.1	281.46
Commerzbank	996.5	987.3	702.8
HONG KONG			
Hang Seng	873.05	866.53	851.65
ITALY			
Banca Com.	184.78	185.4	164.34
NETHERLANDS			
ANP-CBS Gen	136.6	137.0	98.3
ANP-CBS Ind	109.8	110.0	74.8
NORWAY			
Oslo SE	191.82	196.77	104.26
SINGAPORE			
Straits Times	921.08	933.53	743.21
SOUTH AFRICA			
Gold	720.1	698.1	685.9
Industrials	687.0	679.5	676.5
SPAIN			
Madrid SE	128.97	128.3	103.36
SWEDEN			
J & P	1395.21	1396.18	738.7
SWITZERLAND			
Swiss Bank Ind	352.1	352.1	266.2
WORLD			
Capital Int'l	176.8	177.4	149.0

GOLD (per ounce)

	Nov 8	Previous
London	\$381.625	\$378.625
Frankfurt	\$382.25	\$379.00
Zurich	\$382.50	\$379.50
Paris (fixing)	\$381.75	\$379.83
Luxembourg (fixing)	\$382.80	\$377.25
New York (Nov)	\$381.90	\$381.40

* Indicates latest pre-close figure. † Nov 7

CURRENCIES

	Nov 8	Previous	Nov 5	Previous
(London)				
\$	2.677	2.6815	3.975	3.98
Yen	236.9	237.05	350.5	352.0
FFr	8.1375	8.14	12.075	8.14
SwFr	2.175	2.179	3.23	2.179
Quilinder	3.0035	3.0045	4.46	3.0045
Lira	1821.75	1822.0	2407.0	1822.0
Bfr	54.42	54.37	80.8	54.37
CS	1.23625	1.23575	1.8345	1.23575

INTEREST RATES

	Nov 8	Prev
(three month offered rate)		
\$	9%	9%
SwFr	4%	4%
DM	6%	6%
FFr	13%	13%

FT London Interbank fixing (offered rate)

	Nov 8	Prev
3-month U.S.\$	10	10%
6-month U.S.\$	10%	10%
U.S. Fed Funds	9 1/8%	9%
U.S. 3-month CDs	9.55%	9.5
U.S. 3-month T-bills	8.75%	8.82

U.S. BONDS

	Nov 7	Prev
Treasury		
10% 1985	99 1/8%	10.71
11% 1990	99	11.70
11% 1993	100 1/8%	11.81
12 2013	100 1/8%	11.89
Corporate		
AT & T		
10% June 1990	95 1/4%	11.75
5% July 1990	68%	10.65
5% May 2000	78	12.15
Xerox		
10% March 1989	91.60	12.15
Diamond Shamrock		
10% May 1988	90%	12.30
Federated Dept Stores		
10% May 2013	85	12.40
Abbot Lab		
11.80 Feb 2013	95 1/4%	12.40
Alcoa		
12% Dec 2012	95	12.90

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT)				
5% 32nds of 100%				
December	70-07	70-09	70-05	70-03
U.S. Treasury Bills (BMM)				
\$1m points of 100%				
December	91.00	91.01	90.97	90.96
Certificates of Deposit (BMM)				
\$1m points of 100%				
December	90.36	90.37	90.31	90.30
LONDON				
Three-month Eurodollar				
\$1m points of 100%				
December	90.13	90.13	90.02	90.04
20-year National GB				
250,000 32nds of 100%				
December	108-09	108-12	107-21	107-27

COMMODITIES

	Nov 8	Prev
(London)		
Silver (spot fixing)	608.20p	583.95p
Copper (cash)	\$913.50	\$907.75
Coffee (Nov)	\$1839.00	\$1826.50
Oil (spot Arabian light)	\$28.45	\$28.45

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commercial
banking

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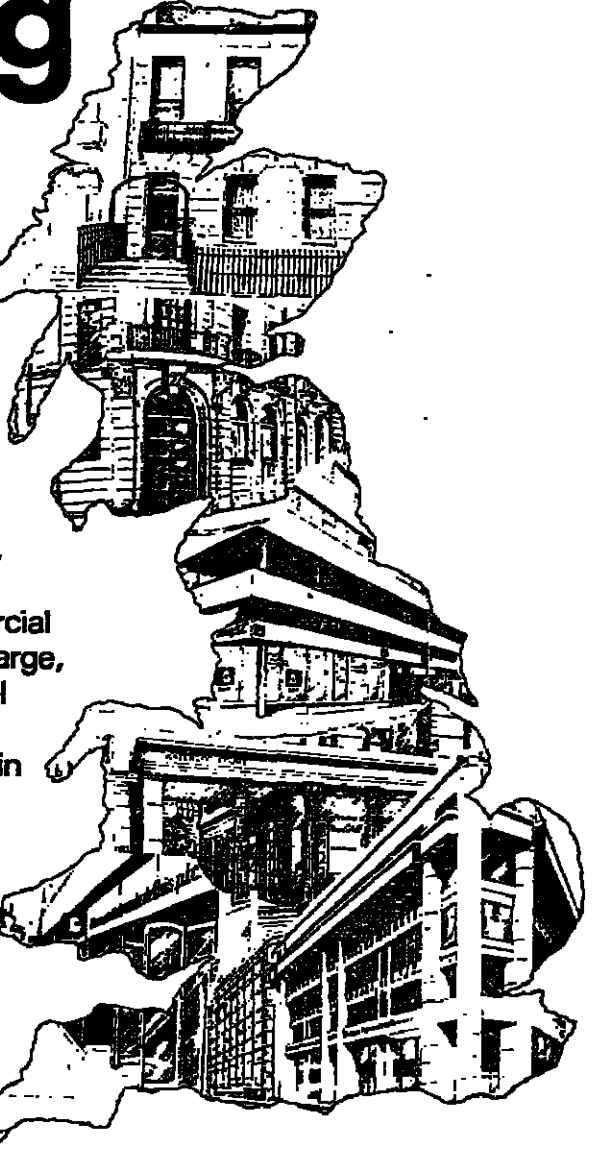
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Continued on Page 23

هكذا عند الأصل

هكذا مني رسول

Continued on Page 24

Continued from Page 2

Continued on Page 24

Sales figures are unofficial Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s) b-annual rate of dividend plus stock dividend c-liquidating dividend d-cash-called d-new yearly low e-dividend declared or paid in preceding 12 months f-dividend declared in Canadian funds subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend j-dividend paid this year, omitted, deferred, or no action taken all listed dividends k-dividend declared or paid during 12 months preceding date of purchase of shares l-dividend declared or paid in preceding 12 months m-dividend declared or paid in preceding 12 months n-dividend in arrears o-new issue in last 52 weeks The high-low range begins with the start of trading in the stock p-dividend declared or paid during 12 months preceding date of purchase of shares q-dividend declared or paid in preceding 12 months r-dividend declared or paid in preceding 12 months s-dividend declared or paid in preceding 12 months t-dividend declared or paid in preceding 12 months u-dividend declared or paid in preceding 12 months v-dividend declared or paid in preceding 12 months w-dividend declared or paid in preceding 12 months x-dividend declared or paid in preceding 12 months y-dividend declared or paid in preceding 12 months z-dividend declared or paid in preceding 12 months

LONDON STOCK EXCHANGE

Gilts improve despite disappointing money statistics but leading shares close mixed

Account Dealing Dates
Option
First Declara- Last Account
Dealings Dates Day
Oct 31 Nov 10 Nov 11 Nov 21
Nov 14 Nov 24 Nov 25 Dec 1
Nov 22 Dec 8 Dec 9 Dec 19
Nov 29 Dec 12 Dec 13 Dec 22

Increasing optimism about the world debt situation helped London equity markets finally bowed to Wall Street's current indecision but by the end of the session it was a pretty close run contest. Largely reflecting the New York trend, leading shares were initially marked down by dealers on their guard against profit-taking after the recent sustained rise or possible nervous selling engendered by the international situation.

Top-quality shares, however, soon demonstrated their underlying resilience to adversity such as heightened Middle East tensions. CBI frustration over Government economic policy and the latest rift in Anglo/U.S. relations. Little of the expected selling materialised and, on renewed small demand, leading shares attempted to regain their overnight levels.

Some were successful, others were not and the small mixed closing movements of FT index Ordinary share index constituents typified the overall equity market performance; 13 index constituents ended lower, nine were higher and the remainder unchanged. After posting a fall of 2.3 at the first calculation of the day, the index closed 1.3 down on balances at 720.1.

Individual features were fewer than for some time with Eagle Star Insurance's share price the announcement that Allianz was considering counteracting BAT Industries' offer.

French Connection's debut in the Unlisted Securities Market was in stark contrast to that expected. Much criticism was directed at the company's share price, which was dropped from an opening 120p to 110p, quite remarkably for an issue over-subscribed 11 times on application. Late in the afternoon, French Connection rallied to 123p helped by shop support and other buying.

Government securities took encouragement from the improved tone of U.S. bonds overnight. Renewed small demand took longer-dated stocks up a swifiting banking October's money market, which was announced at 5.30 pm and the suggested rise of 15 per cent in sterling M1 failed to please. Gains consequently, were pared to 4 but late in the session interest revived and quotations went back to the best levels of the day.

Eagle Star volatile

Eagle Star remained a volatile market awaiting bid developments and, after slipping to 600p, rallied to 800p before a statement from Allianz before drifting back to close 7 cheaper on balance at 600p. Elsewhere in Composite Insurance, Commercial Union, 17p, after a general Accident 42p, closed unchanged awaiting third-quarter figures, due today. Life issues traded with an easier bias, as Lloyd's brokers made small headway.

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Times Nov 8 1983		Nov 7		Nov 6		Nov 5		Nov 4		Nov 3		Nov 2		Nov 1		Year ago	
Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change
1 CAPITAL GOODS (205)	458.25	-0.5	2.3	457.75	-0.5	457.25	-0.5	456.75	-0.5	456.25	-0.5	455.75	-0.5	455.25	-0.5	454.75	-0.5	454.25	-0.5
2 Building Materials (24)	436.27	-0.5	18.75	435.77	-0.5	435.27	-0.5	434.77	-0.5	434.27	-0.5	433.77	-0.5	433.27	-0.5	432.77	-0.5	432.27	-0.5
3 Construction, Construction (27)	466.54	-0.5	3.18	466.04	-0.5	465.54	-0.5	465.04	-0.5	464.54	-0.5	464.04	-0.5	463.54	-0.5	463.04	-0.5	462.54	-0.5
4 Electricals (28)	412.51	-0.5	14.18	412.01	-0.5	411.51	-0.5	411.01	-0.5	410.51	-0.5	410.01	-0.5	409.51	-0.5	409.01	-0.5	408.51	-0.5
5 Engineering, Engineering (19)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
6 Mechanical Engineering (39)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
7 Metals and Metal Forming (9)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
8 Motors (12)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
9 Other Industrial Materials (16)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
10 CONSUMER GOODS (190)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
11 Food and Drink (23)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
12 Textiles (20)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
13 Chemicals (15)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
14 Pharmaceuticals (15)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
15 Paper and Printing (14)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
16 Transport (14)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
17 Leisure (14)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
18 Other Consumer (9)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
19 OTHER GROUPS (294)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
20 Chemicals (15)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
21 Office Equipment (6)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
22 Shipping and Transport (14)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
23 Miscellaneous (27)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
24 INDUSTRIAL GROUP (485)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
25 Other (15)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
26 200 SHARE INDEX	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
27 FINANCIAL GROUP (126)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
28 Banks (6)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
29 Discount Houses (2)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
30 Insurance (Life) (9)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
31 Insurance (Non-Life) (10)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
32 Insurance (Composite) (10)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
33 Insurance Brokers (7)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
34 Merchant Banks (12)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
35 Property (54)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
36 Other Financial (2)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
37 Investment Trusts (10)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
38 Mining Finance (4)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
39 Overseas Traders (14)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5
40 ALL-SHARE INDEX (730)	409.46	-0.5	12.74	408.96	-0.5	408.46	-0.5	407.96	-0.5	407.46	-0.5	406.96	-0.5	406.46	-0.5	405.96	-0.5	405.46	-0.5

FIXED INTEREST

PRICE INDICES				Nov 7		Nov 6		Nov 5		Nov 4		Nov 3		Nov 2		Nov 1		Year ago	
Index	Time Nov 8	Day's change %	Mon Nov 7	% chg today	% chg. 1983 to date	Nov 6	% chg	Nov 5	% chg	Nov 4	% chg	Nov 3	% chg	Nov 2	% chg	Nov 1	% chg	Nov 1	% chg
British Government	1					Low	5 years	9.78	0.81	9.82									
	2					Coupon	15 years	9.89	0.95	9.82									
	3						25 years	9.84	1.00	9.66									
	4					Medium	5 years	18.95	1.88	18.65									
	5						15 years	18.75	1.81	18.45									
	6						25 years	18.22	18.27	18.18									
High	7					Coupon	5 years	11.67	11.34	11.21									
	8						15 years	18.59	18.49	18.47									
	9						25 years	18.39	18.39	18.39									
10						Irredeemable		9.79	9.83	9.73									
Banks & Loans	11						5 years	11.68	11.79	11.71									
	12						15 years	11.79	11.78	11.67									
	13						25 years	11.78	11.77	11.65									
14						Preference		12.94	12.62	12.82									

† Full yield. Highs and low rates, base rates, values and constituent changes are published in Saturday Issues. A list of constituents is available from the Publishers. The Financial Times, Broad Street, London, EC4P 4DF, price 15p, by post 22p.

FINANCIAL TIMES STOCK INDICES

Nov 8	
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INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS—Continued

DAIWA

SECURITIES

MINES—continued

Australians

Tins

Miscellaneous

PLANTATIONS

Rubbers, Palm Oil

Teas

Mines

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Oil and Gas

Diamond and Platinum

Central African

Regional and Irish Stocks

Options

3-month Call Rates

Recent Issues and Rights

Recent Issues and Rights

Recent Issues and Rights

Recent Issues and Rights

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OFFSHORE AND OVERSEAS

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Brazil converts its sugar surpluses into fuel

BY OUR CORRESPONDENT

As it is, those extra 700,000 hectares now planned to sugar cane in Sao Paulo state are lands which were previously used to grow coffee maize and cotton, or to raise cattle and subsistence crops such as rice and beans.

This year, Brazil will have to import maize and rice, at a cost of several hundred million dollars.

Strengthened by the billions of dollars which have been

Aluminium prospects better

But a generally better picture has emerged since the second half of this year, with smelters starting up, inventories falling and primary aluminium prices about 70 cents per pound on the London market compared with 41 cents in mid 1982.

AMERICAN MARKETS

NEW YORK, November 8—A sharp decline in the price of gold and silver on the New York market has carried a report about spot, copper and silver prices.

Dr. Donald R. Smith, president of the American Institute of Mining and Metallurgical Engineers, said that the price of gold had risen sharply higher on strong physical buying in the United States, while the price of silver had remained on the sidelines.

Cotton continued to advance moderately on reports of active export activity from the United States, which encouraged trade support. The market was also supported by the fact that the price of wheat, while soybeans and wheat flint prices were in the harvest and on technical support, had been rising sharply.

Coffee rose sharply on

NEW YORK

COCOA 100 lbs., \$/cocoa

	Nov	Dec	1984	1985	Nov	Dec
Dec	286.0	286.0	286.0	286.0	286.0	286.0
Nov	286.0	286.0	286.0	286.0	286.0	286.0
Oct	286.0	286.0	286.0	286.0	286.0	286.0
Sept	286.0	286.0	286.0	286.0	286.0	286.0
Aug	286.0	286.0	286.0	286.0	286.0	286.0
July	286.0	286.0	286.0	286.0	286.0	286.0
June	286.0	286.0	286.0	286.0	286.0	286.0
May	286.0	286.0	286.0	286.0	286.0	286.0
April	286.0	286.0	286.0	286.0	286.0	286.0
March	286.0	286.0	286.0	286.0	286.0	286.0
Feb	286.0	286.0	286.0	286.0	286.0	286.0
Jan	286.0	286.0	286.0	286.0	286.0	286.0

COFFEE "C" 37,000 lbs., cents/lb

	Nov	Dec	1984	1985	Nov	Dec
Dec	148.10	148.10	148.10	148.10	148.10	148.10
Nov	148.10	148.10	148.10	148.10	148.10	148.10
Oct	148.10	148.10	148.10	148.10	148.10	148.10
Sept	148.10	148.10	148.10	148.10	148.10	148.10
Aug	148.10	148.10	148.10	148.10	148.10	148.10
July	148.10	148.10	148.10	148.10	148.10	148.10
June	148.10	148.10	148.10	148.10	148.10	148.10
May	148.10	148.10	148.10	148.10	148.10	148.10
April	148.10	148.10	148.10	148.10	148.10	148.10
March	148.10	148.10	148.10	148.10	148.10	148.10
Feb	148.10	148.10	148.10	148.10	148.10	148.10
Jan	148.10	148.10	148.10	148.10	148.10	148.10

GLASS "H" 11 " 112,000 lbs., \$/glass

	Nov	Dec	1984	1985	Nov	Dec
Dec	8.50	8.50	8.50	8.50	8.50	8.50
Nov	8.50	8.50	8.50	8.50	8.50	8.50
Oct	8.50	8.50	8.50	8.50	8.50	8.50
Sept	8.50	8.50	8.50	8.50	8.50	8.50
Aug	8.50	8.50	8.50	8.50	8.50	8.50
July	8.50	8.50	8.50	8.50	8.50	8.50
June	8.50	8.50	8.50	8.50	8.50	8.50
May	8.50	8.50	8.50	8.50	8.50	8.50
April	8.50	8.50	8.50	8.50	8.50	8.50
March	8.50	8.50	8.50	8.50	8.50	8.50
Feb	8.50	8.50	8.50	8.50	8.50	8.50
Jan	8.50	8.50	8.50	8.50	8.50	8.50

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LIVE CATTLE 40,000 lb., cents/lb.				
	Close	High	Low	Prev.
Dec	\$1.10	\$1.27	\$0.62	\$0.28
Feb	\$1.27	\$1.35	\$0.65	\$0.70
April	\$3.45	\$3.50	\$2.95	\$3.00
June	\$5.12	\$5.20	\$4.80	\$4.80
Aug	\$3.90	\$4.05	\$3.70	\$3.80
Oct	\$2.30	\$2.35	\$1.95	\$1.95

LIVE HOGS 30,000 lb., cents/lb.				
	Close	High	Low	Prev.
Dec	\$2.38	2 1/2	2 1/8	2 1/8

	July	Aug	Sept	Oct	Nov	Dec
July	365.0	365.1	367.0	368.0	369.0	370.0
Sept	324.4	325.0	321.0	322.0	323.0	324.0
Dec	302.4	302.4	297.4	298.4	299.4	300.4

PORK BELTIES 36,000 lbs, cents/lb

	Cloze	High	Low	Prev
Feb	63.22	63.46	62.38	62.50
March	63.32	63.42	62.38	62.50
July	64.57	64.65	64.10	64.25
Aug	64.57	64.65	64.10	64.25
Sept	64.57	64.65	64.10	64.25

SOYABEANS 5,600 bu mts, cents/60-lb bushel

	Cloze	High	Low	Prev
Nov	888.0	892.0	884.0	885.0
Jan	888.0	892.0	884.0	885.0
March	888.0	892.0	884.0	885.0
July	888.0	892.0	884.0	885.0
Aug	888.0	892.0	884.0	885.0
Sept	888.0	892.0	884.0	885.0
Oct	888.0	892.0	884.0	885.0
Nov	888.0	892.0	884.0	885.0
Dec	888.0	892.0	884.0	885.0

SOYABEAN MEAL 10,000 lbs, cents/50-lb

	Cloze	High	Low	Prev
Nov	708.0	711.0	705.0	706.0
Jan	708.0	711.0	705.0	706.0
March	708.0	711.0	705.0	706.0
July	708.0	711.0	705.0	706.0
Aug	708.0	711.0	705.0	706.0
Sept	708.0	711.0	705.0	706.0
Oct	708.0	711.0	705.0	706.0
Nov	708.0	711.0	705.0	706.0
Dec	708.0	711.0	705.0	706.0

Official	+	Gr	Unc
	—		

Des	358.4	340.0	367.4	369.0
March	372.6	374.0	371.3	374.0
May	376.4	376.4	373.0	376.0
July	368.0	368.2	366.2	366.2
Sept	367.5	367.4	366.5	367.0
Dec	377.4	377.4	374.5	376.0

Imported oranges	Salasman-Spania
3.00-3.30	Oranges-Spain: 42748.4
6.00-8.70	70/80-90 6.20-6.30, 300
110/120	6.00-6.30; Outspan: Valencia
138 55-70	6.20-7.70; 88 7.60, 112 6.95
138 55-70	150 6.50; Brazil: Valencia
Lanes	5.00-5.50; Uruguay: 5.00-5.55
Lemons	- Valencia: 4.00
Turkish	4.50-5.00; Cyprus: 10 kn above

Companies and Markets

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in quiet trading

The dollar was slightly weaker in currency markets yesterday. Volume was down due to the closure of some U.S. centres, but the dollar was pushed up by the dollar futures market. Underlying factors continued to favour the U.S. unit however with Middle East tension and problems with the Federal Reserve program inhibiting any sustained dollar selling.

Starting recovered from a weak start to finish almost unchanged from Monday with disappointing UK money supply figures and current trends in U.S. interest rates tending to dampen hopes of a cut in the clearing bank base rates later this year.

DOLLAR — Trade weighted index (Bank of England) 128.3 against 128.0 six months ago. The dollar has been appreciating steadily in recent weeks and is once again at or threatening the record levels touched in August. Growing tension around the world is supporting the dollar but an equally major factor is speculation that bunching of Treasury auctions and an expected surge in the money supply will combine with inflationary pressures from strong economic recovery to prevent an easing of the Federal Reserve monetary policy.

The dollar fell to DM 2.6770 from DM 2.6815 against the

D-mark and SwFr 2.1750 from SwFr 2.1790. It was also lower against the yen at ¥235.9 from ¥237.05 and Ffr 8.1375 compared with Ffr 8.14.

STERLING — Trading range against the dollar in 1983 is 1.6235 to 1.6540. October average 1.6377. Trade weighted index 84.1 against 84.0 at noon and 83.9 at the opening and compared with 84.2 on Monday and 84.7 six months ago. The pound has drifted slightly against the dollar, but is moving up with the U.S. currency against Continental. This trend has been encouraged by unmetted conditions in the Middle East and the threat to Western oil supplies, plus fading hopes of further cuts in clearing bank base rates.

STERLING — Sterling traded between \$1.6785 and \$1.6770 against the dollar in this trading and closed at \$1.6780-1.6790, a rise of just 5 points from Monday. Against

the D-mark it fell to DM 3.9750 from DM 3.98 and SwFr 3.23 from SwFr 3.2350. It was also slightly lower against the French franc at Ffr 12.0750 from Ffr 12.0775 and ¥260.5 from ¥260.0.

D-MARK — Trading range against the dollar in 1983 is 2.7315 to 2.8320. October average 2.7823. (Trade-weighted index 125.6 against 126.0 six months ago.) The D-mark is losing ground to the dollar once again, and if the present trend continues may soon threaten the 10-year low touched in August. Although German interest rates are relatively firm, partly reflecting concern about money supply growth, expectations that U.S. rates will remain high, coupled with concern about tension in the Middle East, has returned the dollar to favour. At the same time the problems of the SMH private bank and IBM construction group have been a depressing influence on the D-mark.

The D-mark improved slightly against the dollar at Frankfurt, but the Bundesbank sold \$36.8m when the dollar was fixed at DM 2.6811, compared with DM 2.6828 on Monday, when the German authorities sold \$16.6m. Attention was focused more on the problems of the Middle East and the U.S. interest rate scene, and less on the implications of the SMH bank rescue.

DUCH GUILDERS — Trading range against the dollar in 1983 is 3.0540 to 3.2575. October average 3.2200. Trade-weighted index 118.4 against 118.4 six months ago. The guilder has weakened against the dollar on renewed fears that U.S. interest rates will remain high. It is comfortably placed within the EMS however, helped by the presence of North Sea gas, a current account surplus.

The guilder was firm against the dollar and most of its EMS partners at the Amsterdam fixing. The dollar fell to Flg 3.0085 from Flg 3.0065, and sterling to Flg 4.4820 from Flg 4.4680. On the other hand the yen was firm at Flg 12.72 per 100 yen, compared with Flg 12.68, but the D-mark fell to Flg 1.1210 from Flg 1.1215, and the French franc to Flg 36.95 per 100 francs from Flg 36.90.

Gilts firm

Gilts retained a healthy tone at the London International Financial Futures Exchange yesterday, despite worse than expected UK M3 money supply figures. The rise of 14 per cent was above most forecasts, but kept annualised growth within the top of the Government's target range, and was not viewed too alarmingly by the market. Gilts futures showed an initial weakness as the pound lost ground to the dollar in early foreign exchange trading, but then rallied as prices improved from a dull start in the cash market. Market sources suggested that building sources are generally seen to be buyers of stock when prices dip, and that sentiment is also supported by large gilt dividend payments due this month.

December delivery opened at 107.31, and fell to a low of 107.

21. It touched a high point of 108.13 in the afternoon, and closed at 108.00, against 107.87 previously.

Eurodollar futures opened cheap to cash, but then rallied and stayed firm in reaction to three major factors. Firstly the deteriorating situation in the Lebanon, which is helping to keep the dollar firm. Secondly the successful three-year U.S. Treasury note auction held on Monday, and lastly the revision in expectations of the M1 money supply figure, which is now forecast to be about \$11m down on Friday, compared with earlier estimates of a rise in the region of \$1bn.

December Eurodollars opened at 90.03, near to the lowest level of the day and closed at 90.04 on Monday.

LONDON

THREE-MONTH EURO DOLLAR \$1m	Close	High	Low	Prev
Dec	90.03	90.13	89.93	90.04
Jan	89.71	89.81	89.61	89.72
Feb	89.39	89.49	89.29	89.40
Mar	89.07	89.17	88.97	89.08
Apr	88.75	88.85	88.65	88.76
May	88.43	88.53	88.33	88.44
June	88.11	88.21	88.01	88.12
July	87.79	87.89	87.69	87.80
Aug	87.47	87.57	87.37	87.48
Sept	87.15	87.25	87.05	87.16
Oct	86.83	86.93	86.73	86.84
Nov	86.51	86.61	86.41	86.52
Dec	86.19	86.29	86.09	86.20

CHICAGO

U.S. TREASURY BONDS (CBT) \$1m	Close	High	Low	Prev
Dec	107.31	107.41	107.21	107.32
Jan	107.00	107.10	106.90	107.01
Feb	106.69	106.79	106.59	106.70
Mar	106.38	106.48	106.28	106.39
Apr	106.07	106.17	105.97	106.08
May	105.76	105.86	105.66	105.77
June	105.45	105.55	105.35	105.46
July	105.14	105.24	105.04	105.15
Aug	104.83	104.93	104.73	104.84
Sept	104.52	104.62	104.42	104.53
Oct	104.21	104.31	104.11	104.22
Nov	103.90	104.00	103.80	103.91
Dec	103.59	103.69	103.49	103.60

OTHER CURRENCIES

Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8
Argentina Peso	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58
Australia Dollar	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890
Brazil Cruzeiro	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940
Canadian Dollar	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
French Franc	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380
German D-Mark	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755
Italian Lira	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937
Japanese Yen	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0
Spanish Peseta	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7
Swedish Krona	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67
Swiss Franc	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01
Thai Baht	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6
UK Sterling	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2
US Dollar	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00

CURRENCY MOVEMENTS

Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8
Argentina Peso	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58
Australia Dollar	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890
Brazil Cruzeiro	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940
Canadian Dollar	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
French Franc	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380
German D-Mark	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755
Italian Lira	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937
Japanese Yen	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0
Spanish Peseta	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7
Swedish Krona	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67
Swiss Franc	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01
Thai Baht	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6
UK Sterling	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2
US Dollar	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00

CURRENCY RATES

Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8
Argentina Peso	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58
Australia Dollar	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890
Brazil Cruzeiro	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940
Canadian Dollar	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
French Franc	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380
German D-Mark	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755
Italian Lira	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937
Japanese Yen	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0
Spanish Peseta	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7
Swedish Krona	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67
Swiss Franc	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01
Thai Baht	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6
UK Sterling	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2
US Dollar	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00

THE POUND SPOT AND FORWARD

Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8
Argentina Peso	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58
Australia Dollar	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890
Brazil Cruzeiro	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940
Canadian Dollar	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
French Franc	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380
German D-Mark	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755
Italian Lira	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937
Japanese Yen	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0
Spanish Peseta	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7
Swedish Krona	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67
Swiss Franc	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01
Thai Baht	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6
UK Sterling	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2
US Dollar	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00

THE DOLLAR SPOT AND FORWARD

Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8	Nov. 8
Argentina Peso	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58	16.56-16.58
Australia Dollar	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890	1.0885-1.0890
Brazil Cruzeiro	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940	5.4935-5.4940
Canadian Dollar	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
French Franc	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380	8.1375-8.1380
German D-Mark	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755	2.3750-2.3755
Italian Lira	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937	1.936-1.937
Japanese Yen	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0	235.9-236.0
Spanish Peseta	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7	166.6-166.7
Swedish Krona	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67	4.66-4.67
Swiss Franc	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01	2.00-2.01
Thai Baht	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6	5.5-5.6
UK Sterling	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2	84.1-84.2
US Dollar	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00	1.00-1.00

EXCHANGE CROSS RATES

Nov. 8	Pound Sterling	U.S. Dollar	Deutschmark	Japanese Yen
Pound Sterling	0.674	1.475	3.676	236.1
U.S. Dollar	0.258	0.73	11.34	86.18
Deutschmark	0.258	0.258	1.00	100.0
Japanese Yen 1,000	0.028	0.028	0.028	1.00
French Franc 10	0.028	0.028	0.028	100.5
Swiss Franc	0.028	0.028	0.028	76.59
Dutch Guilder	0.028	0.028	0.028	125.5
Italian Lira 1,000	0.028	0.028	0.028	74.59
Canadian Dollar	0.028	0.028	0.028	191.1
Belgian Franc 100	0.028	0.028	0.028	456.5



THE DE LA RUE COMPANY p.l.c.

CHAIRMAN'S STATEMENT

Dividend

At a meeting held today the Board resolved to pay an interim dividend for the year ending 31 March 1984 of 6.6p per share, equivalent to 9.429p per share gross, absorbing £2,513,000 of the attributable profits. This is the same as was resolved twelve months ago. The interim dividend will be paid on 3 January 1984 to Ordinary shareholders registered on 2 December 1983.

Trading results

The results for the six months to 30 September are very much as expected. There has been a substantial improvement in the performance of Crosfield Electronics, while the Security side has held its own in international trading conditions which remain extremely difficult, and this pattern is expected to continue. Notwithstanding the financial demands of new investments, the balance sheet remains strong.

Outlook

The Board adheres to the view, expressed in June, that the year as a whole will show some progress over 1982/83, which benefited from the reversal of provisions made the previous year.

Str. Arthur Norman KBE, DFC, Chairman

De La Rue House
35 Burlington Gardens
London W1A 1DL
8 November 1983

INTERIM STATEMENT for the half year ended 30 September 1983

Amounts are expressed in thousands of pounds

	1983/84	1982/83	1983/84	1982/83	1983/84	1982/83
	Half Year	Half Year	Full Year	Full Year	Full Year	Full Year
Sales:						
Security	88,718	74,804	173,590	159,608	173,590	159,608
Crosfield Electronics	31,355	19,201	52,316	30,800	52,316	30,800
Exports (including sales to overseas Group companies)	120,073	94,005	225,906	190,408	225,906	190,408
Trading profit:						
Security	9,231	9,091	26,316	25,800	26,316	25,800
Crosfield Electronics	752	(3,869)	(5,854)	(1,000)	(5,854)	(1,000)
Group net interest received and surplus arising on Central Management charges	9,983	5,222	20,462	14,791	20,462	14,791
Group trading profit	10,302	6,231	22,652	14,791	22,652	14,791
Share of percentage of sales of associated companies	3,915	4,520	8,996	10,000	8,996	10,000
Profit before tax	14,217	10,751	31,648	24,791	31,648	24,791
Profit after tax	9,724	7,370	20,204	16,000	20,204	16,000
Minority interests	1,015	962	1,915	1,800	1,915	1,800
Profit attributable to The De La Rue Company p.l.c.	8,709	6,408	18,289	14,200	18,289	14,200
Less Proportion of Preference dividend	6	6	12	12	12	12
Profit attributable to Ordinary shareholders	8,703	6,402	18,277	14,188	18,277	14,188
Earnings per Ordinary share	22.9p	16.8p	48.0p	36.0p	48.0p	36.0p

NOTE: The audited profit and loss account for the year ended 31 March 1983 is an extract from the latest published audited accounts which have been delivered to the Registrar of Companies.



Cater Allen

The Interim Statement for the half-year ended 31st October 1983

The Directors are pleased to announce that good profits have been earned in the six months to 31st October, 1983. The results are encouraging, but not as exceptionally good as in the comparable period in 1982.

The introduction of a High Interest Current Account in May has proved to be a successful innovation. We continue to broaden our deposit base.

Overhead costs have fallen and will continue to decline over the second half of the year.

The Directors are hopeful that the next six months will also produce good profits.

The Board has declared an interim dividend of 8p per £1 Ordinary Share (1982: 7p). The dividend will be paid on 5th January, 1984 to those shareholders registered at close of business on 8th December, 1983.

Cater Allen Holdings PLC

1, King William Street, London EC4N 7AU
Telephone: 01-623 2070

U.S. \$40,000,000



Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability)

Floating Rate Subordinated Capital Notes Due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 9th November, 1983 to 9th February, 1984 the Notes will carry an Interest Rate of 10.8 1/2% per annum and the Coupon Amount per U.S. \$1,000 will be U.S. \$36.03.

Credit Suisse First Boston Limited
Agent Bank

U.S. \$20,000,000



Den norske Creditbank

Floating Rate Subordinated Capital Notes
Due 1990

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 9th November, 1983 to 9th February, 1984 the Notes will carry an Interest Rate of 10.4 1/2% per annum and the Coupon Amount per U.S. \$1,000 will be U.S. \$36.03.

Credit Suisse First Boston Limited
Agent Bank

U.S. \$40,000,000



Genossenschaftliche Zentralbank Aktiengesellschaft

Floating Rate Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 9th November, 1983 to 9th February, 1984 the Notes will carry an Interest Rate of 10 1/2% per annum. The relevant Interest Payment Date will be 9th February, 1984 and the Coupon Amount per U.S. \$1,000 will be U.S. \$25.88.

Credit Suisse First Boston Limited
Agent Bank

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for November 8.

U.S. DOLLAR		Change on		World Bank 11 1/2 80		100		98 1/2		98		+0 1/2		11.57	
STRAIGHTS				World Bank 11 1/2 80		150		98 1/2		98 1/2		+0 1/2		12.12	
Amer 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	11.72	World Bank 11 1/2 80	150	98 1/2	98 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	11.81
Australia 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	11.22	World Bank 12 1/2 80	200	98 1/2	98 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	12.07
Canada 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	11.22	At price changes on day 0, at month -0 1/2								
France 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.18									
Germany 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.13	WESTERN MARK								
Italy 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.13	STRAIGHTS								
Japan 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	11.95	Air Canada 7 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.24
Netherlands 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	11.95	A.M.A.S. 8 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	5.67
Spain 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	11.95	A.M.A.S. 9 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	5.67
Sweden 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	Austria, Reg 7 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.53
Switzerland 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	Austria, Reg 8 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.53
UK 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	Canada 11 Feb 7 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	Canada 12 Feb 7 1/2 80	100	100 1/2	100 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 6 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 7 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 8 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 9 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 10 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 11 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 12 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 13 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 14 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 15 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 16 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 17 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 18 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 19 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 20 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 21 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 22 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 23 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 24 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 25 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 26 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 27 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 28 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 29 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 30 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 31 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 32 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 33 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 34 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 35 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 36 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 37 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 38 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Corp 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 39 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Mun 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 40 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
US Govt 0/5 Feb 10 80	100	98 1/2	98 1/2	-0 1/2	-0 1/2	12.84	C.F.C.E. 41 1/2 80	150	101 1/2	101 1/2	+0 1/2	+0 1/2	+0 1/2	+0 1/2	7.17
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FINANCIAL TIMES SURVEY

Commercial Vehicles

A sharp decline in export markets has hit heavy truck manufacturers worldwide. In Europe, cut-throat pricing has led to sharp words between rival groups and one result is likely to be the hastening of inevitable rationalisation

A struggle to stay on the road

By KENNETH GOODING, Motor Industry Correspondent

ONE NASTY symptom of the serious sickness which currently afflicts the European truck industry is the way that the major producers have been pointing accusing fingers at one another and making allegations about "unfair trading."

Much of the invective has been directed at Daimler-Benz, biggest of the European heavy truck groups, and certainly the one with the most financial muscle. Its rivals maintain that the Mercedes group has been grabbing sales through excessive discounts or other cut-price financial schemes in almost every European market.

And it is not just the truck companies which have complained. One authoritative observer, not directly involved in the industry, suggested recently: "Daimler-Benz did not throw its considerable weight around in the past. It was content to take the profit on its higher volumes and low-cost production rather than to use its power to crush the competition. But in the past year or so that seems to have been stood on its head."

Herr Hans-Jürgen Hinrichs, D-B's sales director, dismisses the allegations in this way. "We are the biggest producers in Europe so everybody points the finger at us. There is some jealousy that we are the only truck producer which has not been forced to go on short time or to lay people off."

And the late chairman, Dr Gerhard Prinz, said recently: "Of course we want to improve our position in the European markets. But there is no question of setting ourselves a target of avoiding short-time working whatever it costs."

"It is a little bit flattering if your opponents try to blame you for the fierceness of the competition. We will not retaliate. We are too proud to accuse them of the same thing."

But still the accusations fly. "Mercedes has been selling tractors at close to our manufacturing costs—surely their costs are not that much lower?" one truck salesman asked.

In Britain his company had lost a deal because D-B quoted £11,500 for a truck with a list price of over £16,000. Another

example from the UK: D-B sold four 32-tonners at £18,900 each or £10,000 below the £28,900 list price.

The explanation for this kind of cut-throat pricing, according to some in the industry, is that D-B wants to get through the recession without putting its truck plant at Würth on short-time working. "It has become a kind of corporate vitality thing," was one typical comment.

To understand this point you need to know more about Western Europe's largest truck assembly plant at Würth near Karlsruhe which came on stream in July 1965 and since then has created 11,000 jobs—about 2,000 of them for people who daily cross the border from Alsace.

Perspective

Würth produces trucks between 6 and 26 tonnes gross weight of which normally more than 70 per cent are exported to over 100 countries. Its output usually accounts for 60 per cent of all the trucks sold in West Germany. Production reached 110,000 in 1981 and, to put this in perspective, as far back as 1979 output from Würth overtook and remained ahead of total UK output of trucks in the same class.

But, as Dr Prinz suggested: "You can't have big sales volume without a good dealer network. We have a very efficient dealer network."

And other D-B executives point out that the substantial increases in market share the group is now achieving in

various European markets result from all the hard work over many years when the strong distribution network was put into place.

As a result, D-B is cranking up its European market share substantially in the recession so that it will emerge with a higher base from which to make more normal progress in more normal times.

All this aggression and turmoil within the European heavy truck industry has been caused mainly by the very steep drop in demand from export markets.

Third World countries have run up huge debts and have stopped buying trucks. Oil-producing countries have run into revenue problems and stopped buying trucks.

The Europeans had assumed they had protected themselves to some extent by setting up assembly facilities in key export markets so that they at least would have some revenue from kit shipments.

But in many countries, such as Nigeria, the tap has been turned off completely. That means competition for the "spot" orders has become exceptionally severe.

For one big order can make a great deal of difference. For example, Euasa, the Pegaso group of Spain, is riding out the recession with the help of a \$1bn contract to supply 11,600 trucks and buses to the Egyptian army during 1981-84. And Renault Vehicules Industriels orders from Algeria have boosted exports of trucks over 5 tonnes gross weight from

France by 2,500 to 3,600 in the first half of this year.

D-B's sales force has done well in the Middle East so far—one estimate suggests that 25 per cent of Würth's output during the past 12 months has gone to Iran.

It is not only European truck producers which have been suffering from the lack of export business. The two Japanese heavy truck makers are also struggling.

Output down

Nissan Diesel's output last year fell by 16 per cent, from 44,041 in 1981 to 36,951. Hino's production dropped by 11 per cent from 69,276 to 61,485 and in the first nine months of this year truck exports from Japan have fallen by about 30 per cent.

Some of the European manufacturers also had hopes that by now their investment in the U.S. would be beginning to pay off but, although sales of light-weight commercials in the U.S. have risen substantially, there is still sluggishness at the heavier end of the market.

In the 1982 model year (which ended in September 1983) sales of medium trucks in the U.S. fell 5.8 per cent to 46,648, while the heavyweights dropped by 9.5 per cent from 143,097 to 129,440.

The European producers, therefore, have been faced with the fact that however widely they had spread their net for sales, demand worldwide had taken a dive.

They were left only with European markets that were reasonably buoyant although by

no means near the peaks. That is why bitter competition spread quickly throughout the major European territories.

As a result truck production, according to DRI, will drop nearly 10 per cent, from 328,387 to 296,580 and be no less than 24 per cent below the peak of 391,656 seen in 1979.

DRI forecasts that there will be a slight recovery in European output next year, to 311,323. But D-B seems to be taking a less-optimistic view.

Output at the Würth plant this year is likely to be 96,000 compared with the 110,000 which the rest of the industry believes is the facility's capacity. D-B has told suppliers that Würth's production is likely to be down to 90,000 next year.

So D-B at least foresees no easing up in the battle for sales next year.

Many people believe that this can only speed the inevitable rationalisation of the European truck manufacturing sector. They point out that Western Europe still has 16 independent truck makers against seven in North America, eight in Eastern Europe and two in Japan.

The consensus opinion is that by 1990 the world will make do with 10 to 15 producers. Continuation of the recession might also accelerate the trend towards joint ventures between key component suppliers and the truck makers along the lines of the deals between Iveco and Rockwell (axles) Iveco and Eaton (transmissions) and between Leyland and Cummins (engines).

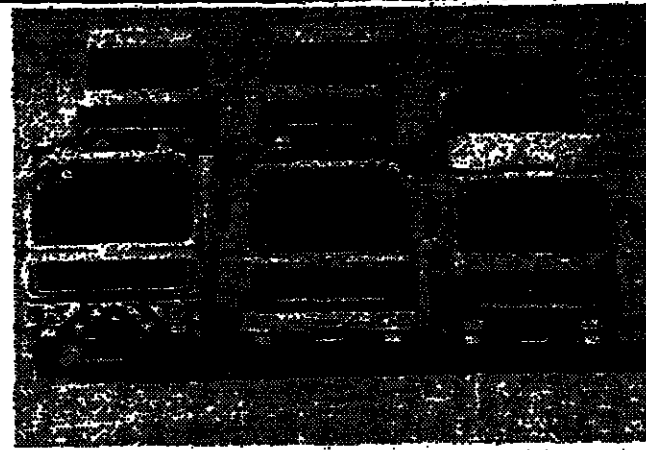
The major component makers no longer dare to suggest that the European industry will be forced to "de-verticalise" and that the day will come when D-B, Scania and Volvo will give up making their own engines, gearboxes and axles.

But they do say that even these groups, dedicated as they are to vertical integration, will in future buy in more of the low-volume, high-technology components they will need.

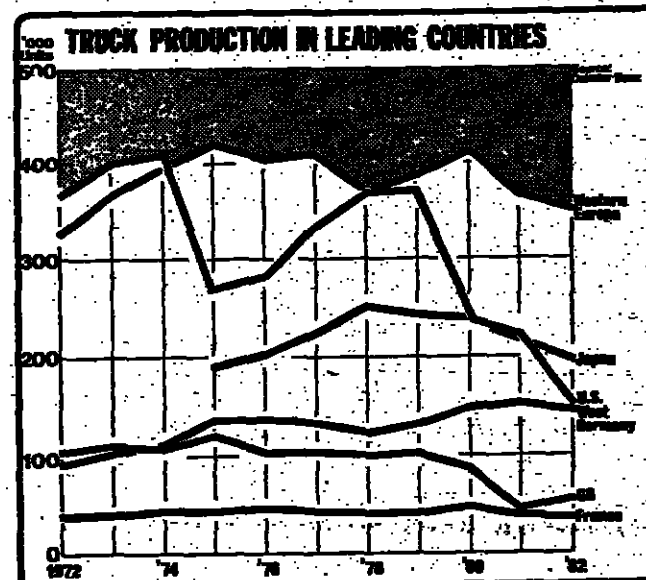
On the other hand, both D-B and Volvo believe that ultimately they can take their philosophy—"we build everything that goes into our trucks, so take it the way I make it"—into North America where an entirely different approach is the order of the day. There the truck builders believe in getting economies of scale by encouraging outside companies to make engines or transmissions or axles and then package those bought-in components in a vehicle which ultimately is different from the competition's even though rival truck producers might use all the same key components.

The industry is watching the North American market very carefully to see just how this conflict between the two highly-different philosophies develops. According to the optimists, the survivors could be substantial. General Motors, for example, is sticking to its forecast that by 1987 demand for commercial vehicles in the "free world outside North America" will be around 6.5m. Add the projected 4.5m for North America and that implies a world market of 11m vehicles five years from now.

Compare that with the record 9.3m sold in 1979. GM forecasts that by 1990 commercial vehicle sales in Middle East, African, Latin America and the Pacific rim alone will be 3.5m—equal to the combined sales in Europe and Japan today. Many truck groups will find it a real struggle to get through the more-immediate problems, however. As Mr John Lawson, director of DRI Europe's automotive group says: "It is difficult to see any company making much money from the truck business in the medium term."



Some of the trucks offered by Daimler-Benz, Europe's major heavy truck producer, which is at the centre of arguments about pricing



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Up until now, the 32 tonner has been the natural choice for general purpose haulage. But new excise changes mean you can save up to £1250 a year with a 28 tonner. Well worth considering, if the truck has enough power and payload.

With the Cargo 2820, Ford are uniquely equipped to meet these needs. There are two trucks to choose from: one powered by a Deutz air-cooled V6 engine, the other with a water-cooled Perkins V8, both rated at 204 bhp.

Annual Excise Duty on 28 versus 32 tonners: how you can save up to £1250 per year*			
COST OF TAXATION	1,2 or 3 AXLE TRAILER	TANDEM TRAILER ONLY	TRI-AXLE TRAILER ONLY
32.5 tonnes	£2290	£2290	£1600
28.0 tonnes	£1090	£1040	£680
SAVINGS	£1200	£1250	£920

*Annual excise duty as established in the budget, March 1983.
†Calculation refers to Deutz-engined vehicle and includes VAT, fuel and only with wheel coupling and tandem chassis at £1222g. Normal payload of vehicle illustrated in 1700kg.

You can get payloads up to 18.6 tonnes*: the highest of any truck in this class.

In terms of specification, Cargo now gives you more features as standard. And the option of Truck Extra Cover gives you even more cost control, with a second year's warranty covering major driveline and steering components.

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about the loan of a 28 tonner—you'll find out just how much there is going for Cargo. And he'll tell you about the great deals he can offer.

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COMMERCIAL VEHICLES II

The UK: moving up out of the slump

SALES FIGURES for UK commercial vehicles so far this year appear to suggest that the industry is moving swiftly out of its worst slump for over 40 years.

By end-September, the UK market was up by 17.9 per cent at 206,535 compared with the same period of 1982. But the final outcome this year will still be far below the record 300,555 units of 1979.

And the overall figures disguise the fact that the market for trucks "proper" — of 3.5 tonnes gross weight and above — was running a mere 7.6 per cent higher.

Last year saw just 389 more trucks sold than the 44,950 of 1981—the year in which the industry slid to the bottom of its post-war trough.

At the same time, highly important overseas markets in Opec states and the developing world have collapsed. The plunge in Leyland Vehicles' sales to Nigeria, for example—to an expected 100 this year from 1,300 in 1982—is an experience shared by truck makers outside of the UK. MAN, West Germany's second largest maker, supplied 5,600 trucks to the Middle East in 1981. The number in the first six months of this year was just 47.

The UK industry's exporting problems are compounded by the strength of its oil-supported currency—not least on the Continent, where it must also expand sales if it is to survive.

By the same token, it has made the UK market much more vulnerable to Continental importers anxious to find substitute markets for those in the Third World which have vanished.

Discounts war

In the discounting war since the start of the recession, importers have thus had much more room to manoeuvre on prices. Import penetration in the heavy trucks sector has risen from 22.6 per cent in 1981 to 28.94 per cent last year, and to 32.08 per cent in 1983's first nine months.

That total UK commercial production rose last year, by 17 per cent to 268,800, was again primarily a reflection of recovery in the vans sector; and has not been sustained this year.

In the first half, total output fell by 4.5 per cent, to 132,645. But Leyland Vehicles' heavy truck output was down 20.7 per cent to 8,350; Bedford's down 28.4 to 2,155; ERF's down 22.5 to 780 and Seddon Atkin-

son's 32.3 to 610. The smaller 6.7 per cent fall in Ford's commercial vehicles output reflects its large production of light commercials.

Consolations for the UK industry are that job and other cost-cutting has greatly diminished financial losses while years of uncertainty have been lifted by the Government's decision to raise maximum operating weights from 32 to 38 tonnes.

The second factor has not produced a major surge in orders; but the catastrophic fall in exports should be at least partly offset. A general industry view is that heavy truck sales this year should reach 49,000-50,000.

Leyland Vehicles predicts a further increase to about 54,000 units next year. Mr Alan Fox, chief executive of Iveco UK, which imports Fiat's Iveco trucks, is slightly more optimistic, suggesting 55,000—nearer to the "normal" UK market level of 60,000.

Mr Fox, in reporting a turnaround from a £1m operating loss to a £2m profit this year, also suggests that the discounting war is now abating—a development, however, about which other manufacturers are more sceptical.

Despite the UK's problems, it is still regarded as a viable manufacturing base by the multi-national companies. Latest evidence of this is Ford's decision to spend £74m on its van plant at Southampton, where the Transit's successor, Triton, is expected to be built next year. It follows £125m spent on introducing Cargo trucks at its Langley, Berkshire, plant and forms part of £110m Ford is investing in commercials over the next few years, 80 per cent in the UK.

Ford is determined to use Britain as the base from which it intends to take over European market leadership not just in light commercials, but in the over 3.5 tonnes sector as well. A more cautious vote of confidence has been given to Bedford by its parent, General Motors. Early this year, Bedford was split from Vauxhall cars to become part of GM's "world trucks" business, reporting direct to world trucks headquarters at Pontiac, Michigan.

Bedford had been profitable up to 1980, a performance disguised within Vauxhall's losses. Ironically, last year, given the exports collapse it was probably responsible for most of Vauxhall's nearly £40m net loss. That has not stopped GM from announcing that it will spend

£70m on Bedford in the next three years, £50m on its van lines at Luton to prepare for a one-tonne van based on a Japanese Isuzu model, and possibly a Suzuki-based microvan.

Renault's commercial vehicles arm, RVL, is also looking to expand output in the UK, with the declared intention of becoming a "natural" part of the UK motor industry as Ford or GM. By the end of this year, it will have 90 per cent of Karrier Motors, maker of Dodge trucks, having acquired a half-share from Peugeot two years ago.

To the existing Dodge range built at Dunstable are being added two Renault vehicles: a high-power 16-tonne truck, the G170, designed specifically for the UK market; and the 38-tonne G260. Karrier envisages output of 500 trucks a year for them which could mean, in the longer term, more jobs.

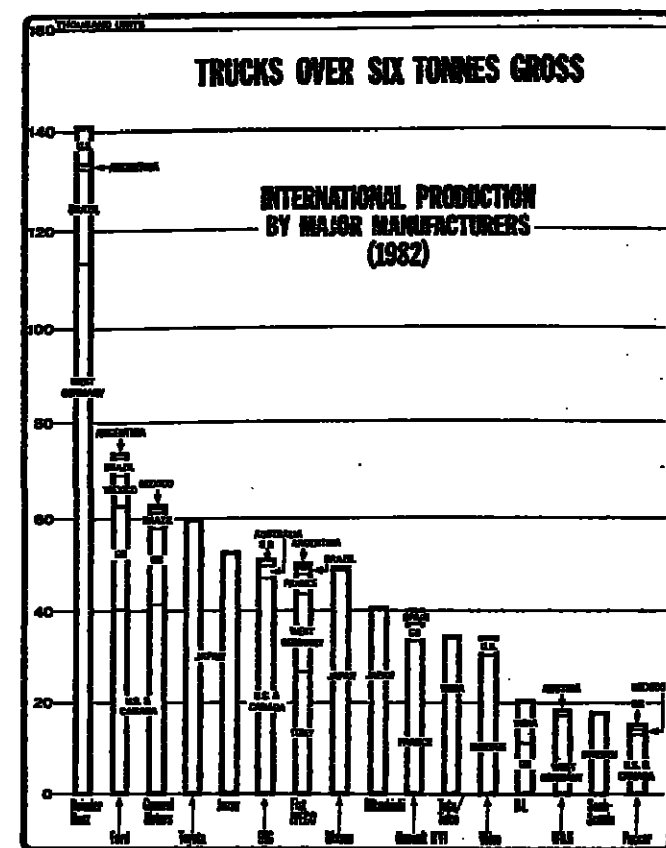
Karrier's managing director, Mr Laurent Brisset, says Karrier should break even next year; it lost £4m net in 1982, after being given a £10m subsidy from Peugeot.

The extent of the problems still facing Leyland Vehicles was hammered home earlier this year with a warning from Mr Les Wharton, new managing director of Leyland Trucks, that the company was literally "fighting for its survival." He said the recovery plan, involving 4,100 job losses last year, had stalled and further cost-cutting was needed, implying more job losses, plant closures and product range cuts.

His warning was followed, a few months later, by cautious reassurance from Leyland Vehicles' chairman, Mr Ron Hancock. The company is worth saving, he stressed, and forecast that it would trade profitably—but not until 1987.

It recorded a trading loss of £58m (£78m in 1981). Mr Hancock pointed out that market share in the UK had improved this year, from 12.8 per cent to 14.5 per cent by the end of September after 10 years of shrinkage. Over 18 months, fixed costs had been cut by 40 per cent, manpower by 30 per cent and stocks by 22 per cent.

But he acknowledged that profitability will depend on a 60,000 a year UK market and a recovery in exports to 50 per cent of output against the current 25. To this end, Leyland continues to expand its network in France as the base for increasing Continental sales, and has lifted T45 Roadtrain sales there from 63 in 1981



to 300 last year. A new company, Leyland Vehicles Industries, has been set up to co-ordinate mainland European activities.

Output has dropped further from 31,000 in 1977, to 14,200 last year and 6,350 in this year's first half, compared with 8,015 in first-half 1982.

But it is still investing at a high rate and it should receive a boost early next year from the replacement of its 13-year-old Terrier truck range, in the 7-11 tonnes category—which accounts for 30 per cent of all truck sales.

Potential

The UK's last independent heavy truckmaker, ERF, has just taken its second step to broaden its operations, launching its first 18-tonne truck for 15 years and doubling its potential market size. Mr Peter Foden, its chairman, says ERF will get access to a 9,000-a-year market, of which ERF should be able to capture 7-8 per cent (it has 13-15 per cent of the 28-tonne-plus market, estimated at 10,000 this year).

In June, ERF announced that it would collaborate with Hino of Japan to produce 12-15-tonne trucks. There will be no direct Hino investment in ERF, but easy financing for components and access to Hino's production techniques. Initially, 60 per cent of components would be British. ERF has almost halved its work force to 800, and cut output from 16 to seven trucks a day,

but the results are showing up in the balance sheet: a £1.9m trading deficit in 1982 was transformed into an £84,000 trading profit; still a net loss of £1.6m but just one third that of 1982. This year, says Mr Foden, there will be a net profit.

A more uncertain future faces Seddon Atkinson, the Lancashire truckmaker put up for sale by the financially-troubled U.S. group, International Harvester. IH bought Seddon in 1974, when it was conceiving a grand plan to become a pan-European truckmaker involving also a stake in Enasa, the Spanish trucks group. IH paid £10m for Seddon, but said recently its net worth had fallen to below £4.5m after three years of losses.

It has already unwound its holding in Enasa, which is seeking to acquire Seddon itself. IN, the Spanish state holding company, has promised a decision by the end of the year. Meanwhile, Sandbach Engineering, the maker of Foden trucks acquired by the Paccar group of the U.S., is continuing production of premium, custom-built trucks, and Ford's Transcontinental tractor unit, at 50-60 a month. It appears to be trying to quietly bury the Sandbach Engineering name—reverting instead to Foden.

And Volvo (GB), which makes trucks at Ulster, Scotland, continues to hope that its classification as a UK manufacturer will be restored, after it was withdrawn by the Society of Motor Manufacturers and Traders earlier this year.

Elsewhere in the UK, Hestair Demix, another independent, is continuing steady output of trucks in the specialised categories such as municipal vehicles and fire tenders. Sales last year rising from 305 to 354.

John Griffiths

The U.S: light trucks boost the market

WHILE THE U.S. recession deepened last year to produce the most hostile climate industry had known since the 1930s, one section of the motor industry was anticipating the recovery which arrived so explosively in the first quarter of this year.

As car sales slipped still further, and heavy trucks remained in the doldrums of the past few years, light truck deliveries soared by 17 per cent. Shipments were so strong that they pushed the entire commercial vehicle market up by 13 per cent.

Explanations for this surge are not easy to come by, but may simply be that small shopkeepers felt the upswing in consumer demand before it showed up on the statistics, or just sensed that it was coming. The decline in interest rates towards the end of the year must also have helped, along with new product launches. The result is an upsurge of interest and profitability which has followed through into the current year and shows no sign of abating.

By the end of September, when the U.S. model year came to an end, the light truck bonanza had pushed up overall commercial vehicle sales by almost 20 per cent over the 12 months. World deliveries amounted to 2,903,500 units against 2,421,150 in the previous period, but sales of light trucks—defined as less than 18,000 lbs gross vehicle weight—increased disproportionately by 22.4 per cent to 2,727,450 vehicles against 2,228,570 in 1981-82.

Boom

The popular and expanding compact truck market for pickups and sports-utility vehicles went over the 1m mark for the first time in the 1983 model year after a spectacular boom in demand: unit sales hit 1,020,945, a gain not far short of 50 per cent on the previous year's 30.8 per cent.

By contrast, medium and heavy trucks continued on their downward trend until the final two months of the summer. Medium weight vehicle sales fell by 5.8 per cent from 49,590 to 46,650, while heavy vehicle deliveries were down by 8.2 per cent from 143,100 to 132,440.

Manufacturers believe that the signs of an upswing in August and September indicate that the low point in the heavy truck cycle has been passed. With light truck and van sales also rising ahead at a spanking pace, they are looking for yet another boom year performance from the sector. Ford, for example, believes that this year's output could reach about 3.2m units, growing in 1984 to 3.57m.

The main beneficiaries of the recovery that has occurred so

far have been General Motors and Ford, both of which have produced new products to contend with the vigorous Japanese competition in the light truck part of the market. As a result, Toyota has been forced out of its number two position, with GM's Chevrolet division retaking the lead for the second year running, but Ford coming through to make a strong challenge.

Launch

The position of Ford, and the speed with which it has overtaken Toyota, underlines its effectiveness in the launch of its first compact domestic vehicle. Its sales over the 12 months rose by 171 per cent to 207,654 units, while Toyota scored 169,104—up 24 per cent from the previous year, but still not enough to trouble the two leaders.

Chevrolet's performance has benefited from a mix of small commercial vehicles between its established C and K model range and the S10 pickup-range introduced in September 1982. In its first 12-month period, the S10 has reached a 20.4 per cent penetration of its domestic compact truck market, with total sales of 181,182.

The January high-seat SA10 Blazer model alone sold virtually 80,000 units last year aided by these new products, Chevrolet advanced to a record 12 months' truck sales figure, while during September, deliveries in this sector reached almost 100,000 units, some 10 per cent higher than the group's previous high point for the month back in 1976.

Pitted against the Chevrolet is the Ford Ranger, another medium-sized pickup which has been on the market for about 18 months, and which now appears to be catching up on the GM vehicles. Ranger sales in the model year reached 181,160, and deliveries have been growing since the company introduced a V6 engine variable to the original four-cylinder model.

Chevrolet and Ford's resurgence is a classic case of manufacturers being joined into action by a competitive challenge. Until the introduction of the new models, both of the U.S. companies had been hit very hard by competition from Japanese imports. Both had quality problems. Now they have come back to recapture well over 60 per cent of sales. The battle, however, is by no means over, because it is in precisely this sector of the market that Nissan, the Datsun producer, has decided to launch its challenge as a local U.S. vehicle manufacturer.

Its new \$46,000 plant at Smyrna, in Tennessee, came into production in the summer, with the initial aim of building

up steadily to an output of about 120,000 units a year from one shift.

In a similar fashion, the U.S. manufacturers are facing steadily-increasing import competition in the heavy truck market as well. This sector has been exceptionally depressed over the past two years, partly as a result of the general economic recession and partly due to the move to deregulate the trucking industry. Last calendar year sales dropped below the 200,000 units level for the first time in many years, and will almost certainly not be much better for 1983.

One of the problems for forecasters is that the deregulation of the industry has had a virtually incalculable impact. What this has done is to remove restrictions on entry to the industry and stop the controls over route allocations. Thus at a time when the established hauliers were already caught in the grip of lower demand, they have also been hit by increased competition. About one third of the 300,000 trucking labour force is reckoned to be officially laid off. Rates have been forced down, cashflow squeezed, and orders consequently reduced.

Hoping

Forecasters are hoping for a resurgence that will see sales at about 340,000 units next year, and 380,000 in 1985—figures based partly upon the recovery in the economy, and partly on changes of structure in the industry. Many new companies, it is believed, are now establishing themselves as hauliers, often run by former drivers who have been laid off. They will need new trucks, and the increased demand, it is argued, will help to pay for them.

In response to these trends, Ford recently announced that it was bringing back workers at its plant in Louisville, Kentucky, and planning to increase medium and heavy truck output by 35 per cent in February. Orders since May have increased by 45 per cent over the same period last year, it says, and it is now beginning to see some evidence of increased retail demand.

The Ford announcement coincided with similar plans from the U.S. subsidiary of Volvo, the Swedish manufacturer's decision to up output at its factory in Greensboro, North Carolina. Although the unit numbers are small—Volvo currently has only about 6 per cent of the heavy-duty sector of vehicles over 33,000 lbs gross weight—its decision underlines the challenge the domestic manufacturers are now facing from the big three Europeans—Mercedes-Benz, Volvo and the Italian-led Iveco group.

Terry Dodsworth

Japan: emphasis on heavy trucks

IT IS A SINGULAR fact that the four Japanese motor companies peering the most disappointing sales performances in the first eight months of this year are all committed in varying degrees, to the medium and heavy commercial vehicle sector.

Yet inordinate concern does not yet appear to be written large on the faces of any of the four, Hino, Nissan Diesel, Isuzu and Mitsubishi Motors, who together account for all but a few percentage points of Japan's total heavy duty truck production.

All four have powerful parents or allies: Hino is closely tied both through minority ownership and through other commercial connections, with Toyota, while Nissan Diesel's parent is obvious: Nissan. Isuzu has a 24.2 per cent stake in Isuzu, while Chrysler controls about 15 per cent of Mitsubishi.

Though both Hino and Nissan are in the output of heavy duty vehicles, the other two produce a more catholic mix of commercial and passenger models.

For all the advances that the Japanese car industry has made into the lighter commercial vehicle market, its penetration of the big truck end has been less marked. In part, this reflects the fact that Japan itself, a country of few motorways and many small winding roads, was hardly the best proving ground for a new type of vehicle of limited domestic value.

Push

However, when Japan did begin to contemplate a major export push three years ago, it found itself squarely caught in the grip of the international recession (affecting the domestic as well as foreign markets). More recently, the decline in oil prices has greatly affected the ability of the oil-producing countries to purchase transport equipment in the volume that might have been expected. South American indebtedness has also been a factor.

	TRUCK PRODUCTION BY CAPACITY					Special Purpose Vehicles
	2 tonnes	3-4 tonnes	5-6 tonnes	7-9 tonnes	10 tonnes +	
1979	2,834,306	629,286	24,851	15,776	75,638	4,979
1980	2,360,819	745,263	58,339	18,139	55,246	5,763
1981	2,347,294	704,197	52,369	17,459	51,461	5,372
1982	2,139,532	700,543	33,636	12,452	44,966	4,687

of which diesel:

	2 tonnes	3-4 tonnes	5-6 tonnes	7-9 tonnes	10 tonnes +	Special Purpose Vehicles
1979	312,270	254,937	34,511	15,776	75,638	4,979
1980	435,371	288,164	58,356	18,139	55,246	5,763
1981	547,547	282,857	52,381	17,459	51,461	5,372
1982	509,137	268,315	33,618	12,452	44,966	4,687

Source: Japan Automobile Manufacturers Association.

But the current word from the industry is that, about the middle of this year, the tide began to turn. According to the Japan Automobile Manufacturers Association, total truck output in the present year ought to be 1.3 per cent above last year's levels, thus reversing a three-year decline, while 1984 should see growth in the 2-3 per cent range.

Domestic demand seems set for a boost for a particular reason: the withdrawal by Japan National Railways from what little of the freight hauling business it still carried—as well as because of overall economic improvement.

However, it is the vigour of the U.S. economic recovery which appears to have boosted the Japanese heavy truck industry. All four are now in various stages of implementing or planning assaults on the U.S. market. Hino has previously set up a sales network in the American south-east, including knockdown production in Florida of 500 trucks next year and 1,500 by 1986; more recently, it announced it was preparing to establish a truck and bus assembly operation in New York State.

Isuzu plans to supply General Motors' dealer network with as many as 2,600 five- to seven-ton trucks next year—featuring a new cab-over-engine configuration—

ject to assorted forms of restraint, the heavy truck industry remains free. Thus a European recovery of even modest dimensions would likely to spur renewed Japanese interest, particularly on the part of Hino.

Slipped

Last year, Hino retained its lead as the largest exporter of heavy-duty commercial vehicles. According to JAMA, the manufacturers' association, it sold 22,440 trucks overseas, compared with 15,490 for Isuzu, 15,570 for Nissan Diesel and 14,700 for Mitsubishi. But it has slipped behind its rivals this year. Domestically, competition remains both intense and tight. Over the first eight months Hino's new vehicle registrations were running slightly ahead of Mitsubishi's, which in 1982 held a fractional lead, with Isuzu a close third, and Nissan Diesel fourth.

Jurek Martin

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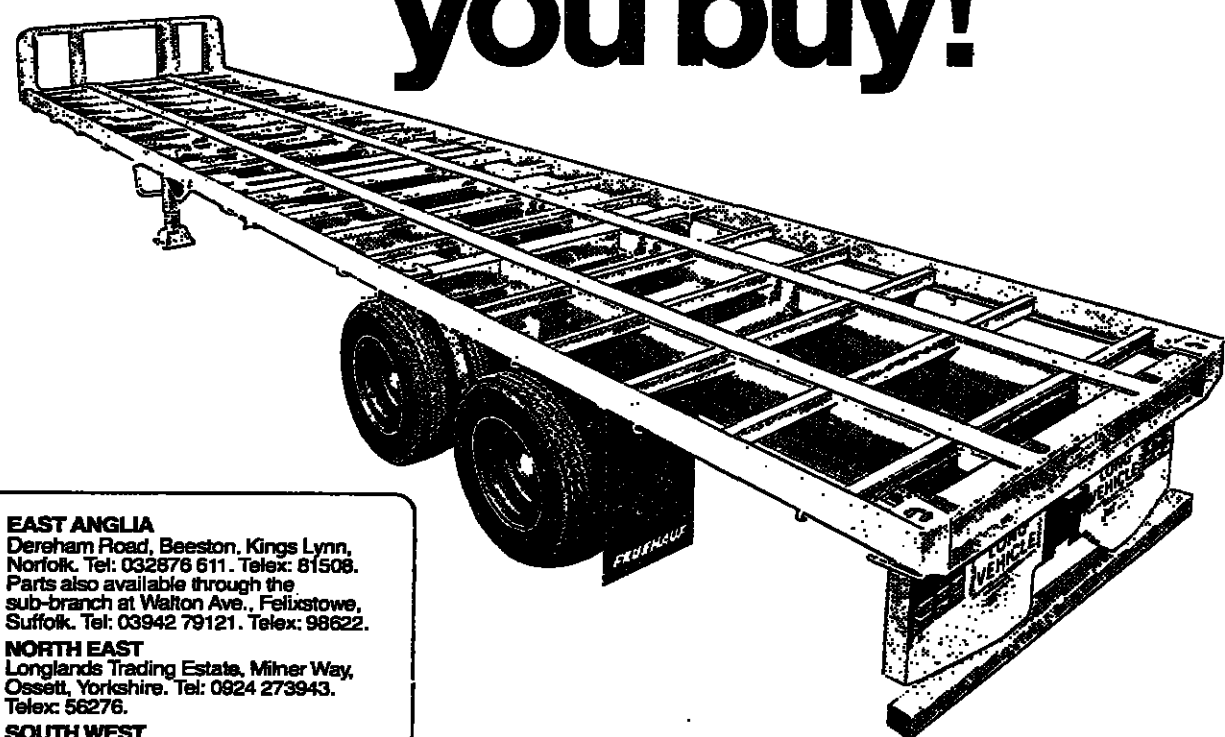
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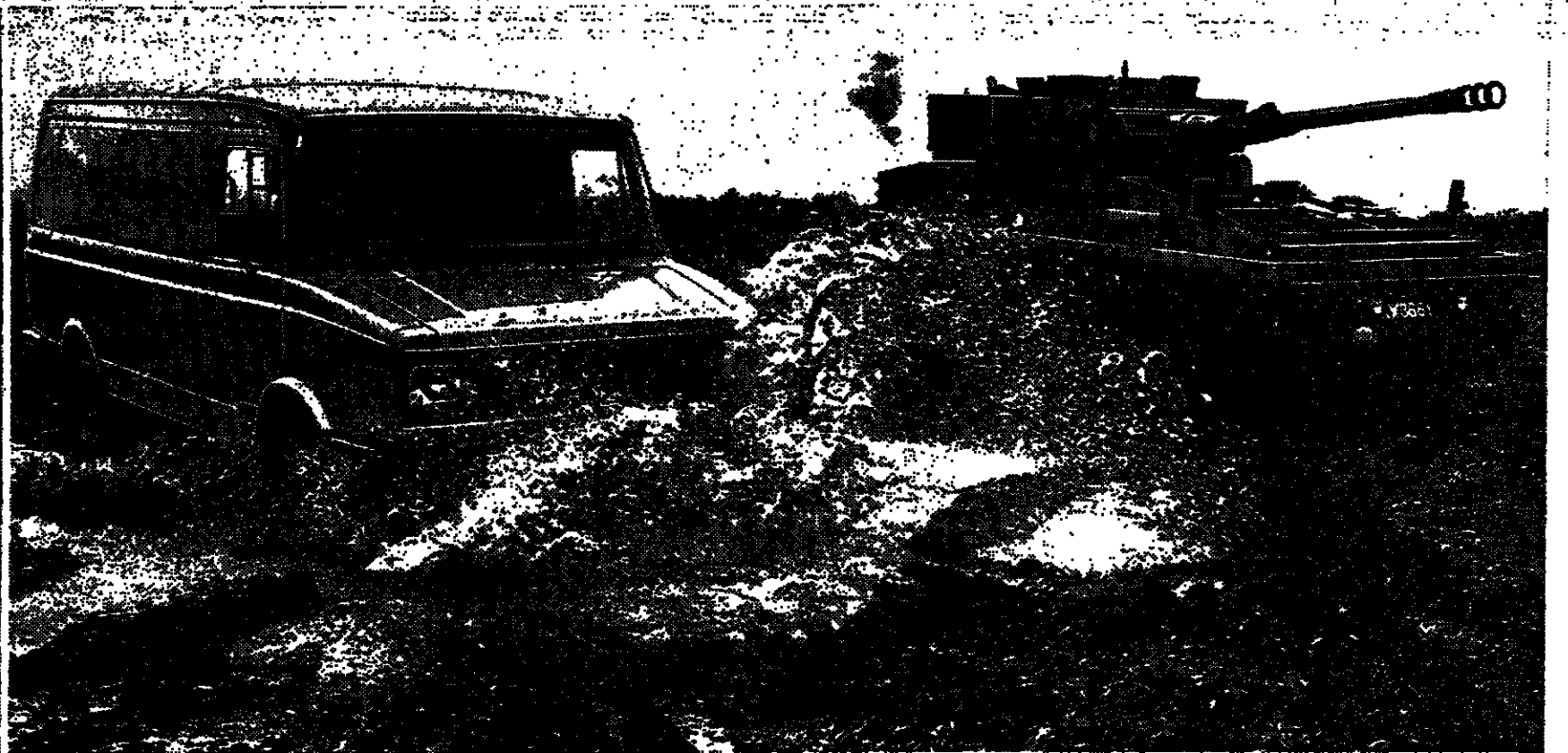
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COMMERCIAL VEHICLES IV

W. Germany: drastic swings in demand upset production

MAN's commercial vehicle operations are a key part of the group's wide-ranging engineering and manufacturing activities. They contributed about 45 per cent of parent company sales revenue in the financial year to June 30. They also accounted for about half of the operating loss of DM 300m.

The troubles at MAN show the overwhelming scale of the problems that have hit commercial vehicle makers during the past two to three years. The drastic swings in demand on domestic and export markets have taxed managerial skills and increased pressure to streamline production.

Production of trucks of all classes in West Germany reached a peak of 314,983 in 1980, which was also a good year for domestic new registrations and exports. But output has since sagged as home sales and then exports collapsed. Truck production fell 13.5 per cent to 272,474 in 1981 and by a further 5.6 per cent to 257,333 last year.

Grip

With recession taking a grip of the home market, especially in the building trade, new registrations of trucks dropped from 143,741 in 1980 to 118,973 in 1981 and then to 96,951 last year. In the space of two years, the number of trucks sold in West Germany — by local and foreign producers — fell by nearly one-third. Sales slid to about the same level as more than 20 years ago.

While exports were still buoyant in the first half of last year, the financial problems of developing countries and oil producers caused a sharp drop in export sales in the second half of the year.

Since the beginning of this year the West German market for both cars and trucks has steadily picked up. The new Centre-right Government of Chancellor Helmut Kohl introduced a series of measures aimed at boosting investment,

particularly in the building industry.

This has led to an increased readiness to invest in new vehicles, particularly in view of the pent-up demand of the last couple of years.

New registrations of trucks recovered by 16.3 per cent in the first nine months of this year, compared with the same period last year, to reach a total of 85,764. The increase has been even sharper lately, in comparison with the drastically low level of a year ago.

In September, 10,237 new trucks — home-produced and imported — were registered in West Germany, up 23.6 per cent on the 8,300 total of the same month last year.

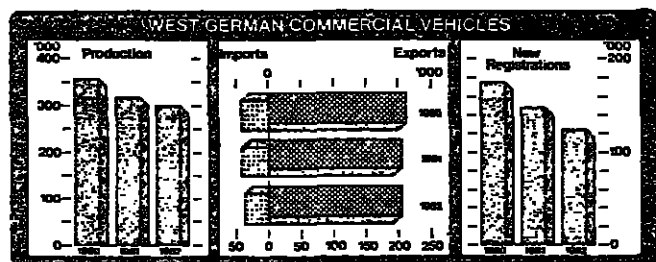
But exports have been stagnating after the severe slump during the second half of 1982.

The revival in the home market has been unable to make up for the weakness in exports on which West German commercial vehicle manufacturers are heavily reliant. As a result, output of trucks so far this year is running below last year's level. In the first eight months of this year, output was 2.8 per cent lower at 166,543.

Market developments have had a different impact on the various classes of commercial vehicle. Vans and light trucks of up to six tonnes suffered a sharp production setback in 1981, incurred a much less severe decline last year and have since been recovering, with a 9.1 per cent increase to 97,229 in the first eight months of this year.

On the other hand, medium-weight trucks have suffered a persistent production decline. Heavy trucks, of 16 tonnes and over, sold well in 1981, with production up 9.9 per cent to 63,501. But as exports sagged, output of the heavy vehicles fell 4.5 per cent last year to 60,663 and is running at a much lower rate this year.

In the first eight months of this year, West German factories produced only 32,563 vehicles in this class, down 24.8 per cent on the same period a year ago.



In view of the market pressures, MAN has embarked on rationalisation measures and has been steadily cutting its workforce. The group employed about 21,500 workers on truck assembly in 1980, now has about 17,700 and plans to reduce the number to 16,000 by the middle of next year. This represents a pruning of about 25 per cent since 1980.

The factory at Salzgitter in future will concentrate on assembly of buses, special vehicles, medium-weight trucks and MAN-Volkswagen joint-venture trucks. More than 1,000 jobs are to be phased out at Salzgitter, about 400 at Munich and the rest at Brunswick and Penzberg.

But MAN's trucks division has voiced optimism lately as the uplift in the home market, good sales in some export markets and rationalisation have produced a brighter picture. Herr Wilfried Lechte, head of trucks division, predicted recently that sales revenue would

recover to about DM 3.3bn in the current financial year. This would amount to an increase of nearly 20 per cent on the DM 2.8bn total of 1982-83, although it would still be below the DM 3.5bn figure of the previous financial year.

He also predicted that the heavy losses of the commercial vehicles division would be sharply reduced. MAN has indicated that the division might reach the break-even point next year, thus achieving a relatively quick turnaround from a bleak position.

MAN's total output in 1982-83 was only 16,000, down a third on the previous financial year's output of 24,000. Export markets have delivered a sharp blow to the company, especially its sales to the Middle East, which almost ground to a halt in the first half of this year.

But MAN is encouraged not only by the revival of German sales but also by an increase in its market share. In the entire

range from 9.6 tonnes upwards it achieved a domestic market share of 24.3 per cent in the first eight months of this year, compared with 22.8 per cent in the same period last year.

In the lighter MAN-VW class market share rose from 11.4 to 12.3 per cent, in the classes from 9.6 tonnes to 15.9 tonnes market share was up from 15.8 per cent to 19.1 per cent, and in the heavy range from 16 tonnes, MAN lifted its share from 24.8 per cent to 25.7 per cent.

MAN is continuing to work short time, but less than previously. It plans four days of short-time working in November and another four in December. Volkswagen, too, has reintroduced short-time among its 19,600 workers engaged in light commercial vehicles production. Like other producers, VW is reaping benefits from the recovery in domestic sales, but it faces strong competition from foreign producers, notably the

Japanese, who are steadily increasing the number of models of vans and light trucks on offer in Europe.

VW says that an improvement is perceptible. Its sales in West Germany are up, and while its exports overall are lower it expects a small increase in exports in Europe.

Self-assurance

The market leader, Daimler-Benz, has been unable to escape fully the chilling effects of export market recession. But it points out, with characteristic self-assurance, that it is offering continuity of employment with no short-time working and no dismissals.

Daimler-Benz has boosted its commercial vehicle sales volume in West Germany by about 12 per cent in the first nine months of this year, but its exports have fallen about 10 per cent. The upshot is a 7 per cent decline in commercial

vehicle output to 128,580.

This overall output decline is the outcome of conflicting trends — a 2 per cent increase in small transporters (to 47,270), a 14 per cent fall in trucks over 6 tonnes (to 66,960), a 14 per cent increase in bus production (to 6,230) and a 9 per cent drop in Unimog and other commercial vehicle production (to 8,220).

Its performance on the home market has outstripped the market average, with the result that it has strengthened its dominant position. While it has suffered from the cut in orders from oil-producing countries, it has been able to spread its sales net more widely to make up for some of the setback. It is reasonably satisfied with sales in the UK and France, but less so with sales to Italy.

In its truck factories abroad, Daimler-Benz has cut production by 19 per cent in the first nine months of this year compared with the same period last year. It attributes the problem

basically to the poor economic situation in Brazil.

In the U.S. its Freightliner subsidiary has improved its share and gained in market share. While Brazilian sales have fallen, it sees some stabilisation in Argentina. In both South American countries Daimler-Benz claims to have held on to its market share.

Iveco Magirus, which has received financial life-support injections from the Fiat concern, has been struggling through another difficult year, although it has been hopeful of reducing its DM 189m loss of last year. Its order book at the end of August was 40 per cent below the level a year earlier.

Production, which fell 1.7 per cent to 17,915 commercial vehicles last year, is expected to show a 30 per cent decline this year, with the number of employees down from 8,170 to 6,840.

John Davies

France: slender growth at home

THE FRENCH commercial vehicles market is doing exactly the opposite of what all the other major European markets are doing. For the main market — vehicles of 5 tonnes and over — France has advanced during the first eight months of this year by 1.3 per cent with sales of 28,000 vehicles. In most other countries this market has continued to decline.

But it would be misleading to think that the slender growth in the home market represented an improvement in France. Far from it. The French market has continued to be sustained in terms of sales by a fierce price war between the six main manufacturers of commercial vehicles active here.

"It's collective suicide," said a senior official of Renault Vehicules Industriels (RVI), the large commercial vehicles subsidiary of the state-owned Régie Renault group.

The price war, which is artificially propping up sales in France, has been going on for about three years. But lately it has been gaining in intensity. Apart from the size and importance of the market, the reason for this can be traced back to the merger of Berliet and Saviem, the two main French

truck-makers, into RVI five years ago.

These two companies had long fought tooth and nail in the domestic market. With the merger, other manufacturers sought to take advantage of potential new market gaps in France. Moreover, the French market has helped the principal manufacturers to sustain output levels higher than the general world demand for trucks would warrant.

Discounts

Renault, as the dominant manufacturer, has tried to resist the price war as much as possible. Indeed, its home market share declined from 40 per cent to 36.3 per cent during the first eight months of this year. But inevitably Renault has been forced to fight back and match what one company official termed "crazy discounts" by some makers.

Renault's main competition in France has come from Mercedes, which in the first eight months had a market share of 20 per cent. Iveco had 19 per cent of the domestic market, Volvo 10 per cent, DAF 5 per cent, and Scania 3 per cent. For Renault's commercial

vehicles subsidiary the discounts and price war will be one of the main reasons for another year of heavy losses. The RVI subsidiary lost FFf 746m last year and is expected to report a higher deficit for 1983.

Indeed, RVI continues to be the biggest single handicap if Renault is to return to the black. But Renault has renewed this year its commitment to become a world leader in the commercial vehicles sector by increasing its stake in Mack Trucks of the U.S. from 25 per cent to 45 per cent and taking 90 per cent control of Carrier Motors in the UK and Hispania in Spain, the two Dodge subsidiaries jointly owned by Renault and Peugeot.

The increased investment in Mack reflects RVI's intention to maintain and develop its standing in the U.S. market at a time when other large European truck makers have expanded their activities in the U.S. by also acquiring control of U.S. truck makers. RVI's strategy towards the U.S. is exactly the same as that of the Renault car group's American strategy.

As with Renault's 44.6 per cent investment in American

Motors, RVI does not want — unless it has no option — to control 50 per cent or more of another year of heavy losses. Mack. At the same time, as with American Motors, RVI is seeking close integration and collaboration in the components sector with its U.S. affiliate.

An example of this collaboration is the decision of RVI to build a U.S. model of its new FR1 coach. This advanced coach is a new venture for RVI, which has decided to strengthen its so far weak position in the coach and supercoach business. The FR1 is to be launched officially on November 7.

RVI aims to increase its current 25 per cent share of the French coach market to about 50-55 per cent. It is also trying to win between 2 and 3 per cent of the European market of about 16,000 coaches a year.

While RVI has lagged in coach production it remains the dominant French maker of buses and urban transport vehicles, with well over 70 per cent of the market. While the overall French coach and bus market declined by 6.7 per cent in the first eight months of this year, RVI's share of the bus and coach market has increased by 7.6 per cent to 63.6 per cent.



Pilot production of Renault Vehicules Industriels 38-tonne C260 truck begins at Dunstable in the UK shortly. RVI expects to produce about 250 a year for sale in Britain where it now controls Carrier Motors, the former Dodge company

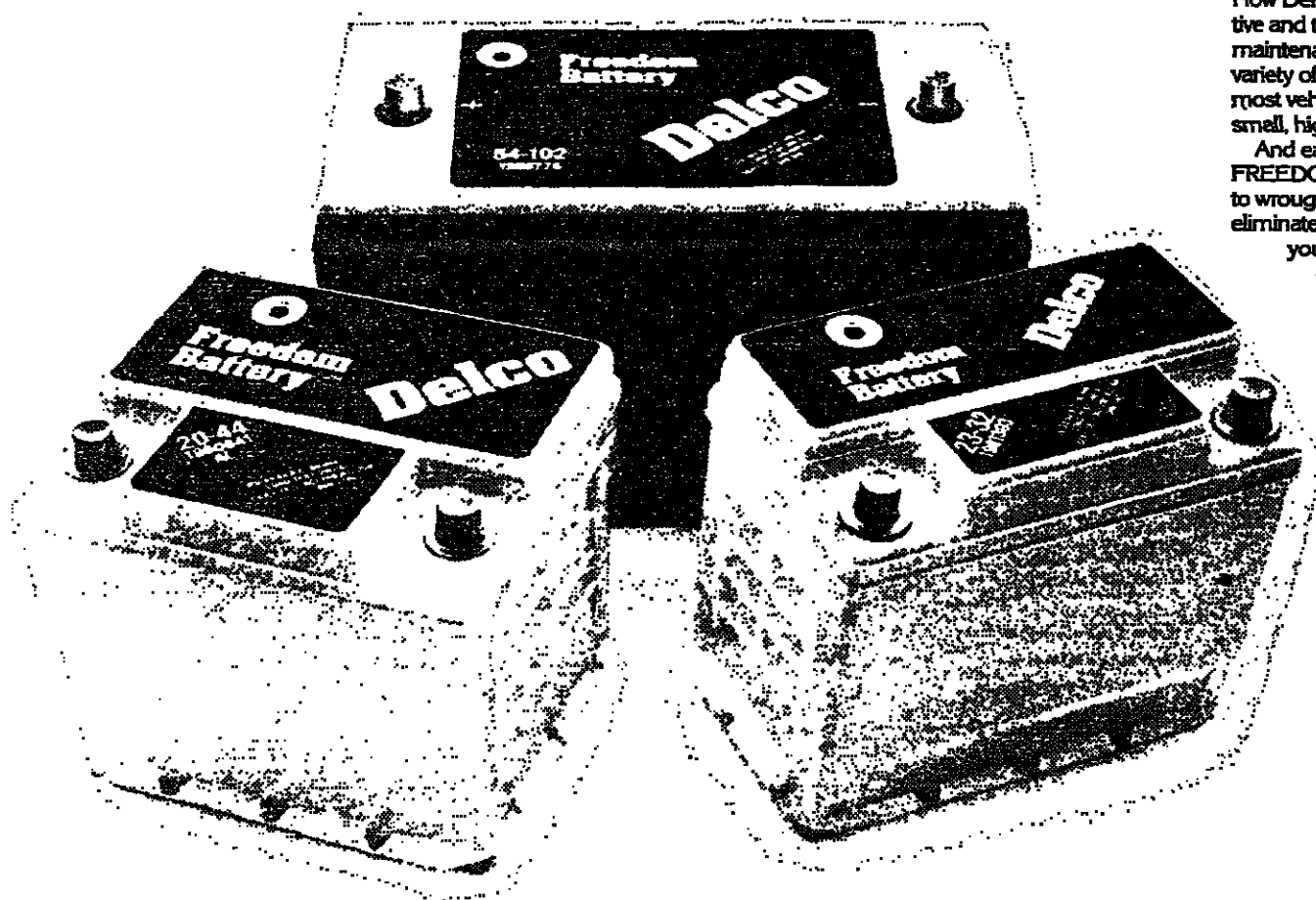
Like other truck makers, RVI is meeting continuing difficulties in export markets. Indeed, commercial vehicle exports were down 15 per cent during the first eight months compared with the same period of 1982. RVI has suffered from the slow-down in large construction projects in the Middle East and other countries which had helped it to sustain export sales

at a time when the European markets went into a deepening slump.

As for the U.S., where the situation was also bleak, RVI says Mack is now seeing the start of a strong upturn. For RVI, exports accounted for about 40 per cent of the company's total sales of FFf 13.2bn last year.

Paul Betts

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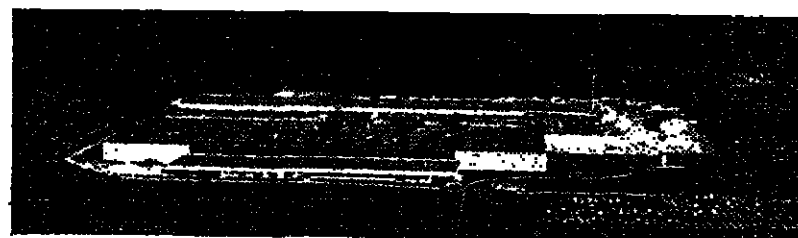
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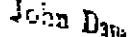


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Spain: reason for optimism despite losses



Italy: recession brings sharp downturn

Page 14

Nevertheless, Fiat as a whole saw the sales of its industrial vehicle division (which is in effect Iveco plus the truck and bus divisions) fall in 1982 to L4,972bn from L5,330bn; in 1981 and its operating profit dropped sharply from L158bn to L120bn. The chief managed a profit of L17.46m.

If anything, things have gone less well in 1983. The Italian manufacturer, which has plants in Belgium, down 12 per cent and Switzerland down 22 per cent. However, in the first eight months of the year, sales fell 18 per cent and that of the UK by 6 per cent. Iveco's sales were down 8.1 per cent over the six-month period, a figure made up of a 0.6 per cent fall in the UK and 11.7 per cent fall in the rest of the world.

Iveco has been increasing its market share at the expense of other manufacturers. In Italy, for example, its market share for first eight months was 60 per cent, compared with the 49 per cent figure for the whole of 1982. In France, an eight-month figure of 15 per cent was scored, against 11 per cent in 1982. In the UK Iveco took 4 per cent of the market, against 3 per cent in 1982. But in West Germany market share fell back fractionally.

Iveco attributes its relatively success to two factors. One is that its customers are plant and equipment users, which means that it can offer customers a very wide range of vehicles: it has no fewer than 600 basic models in its range, and 1,000 variants, adding anything from vans for urban

Waste 1960 concentrated on the larger commercial vehicle, Fiat Auto makes monster vans and other machines, in this case that is doing part regularly with its recently-launched Ducato range of vans, which has enabled it almost to double its share of the market in Italy, that is doing part regularly with its recently-launched Ducato range of vans, which has enabled it almost to double its share of the market in Italy, that is doing part regularly with its recently-launched Ducato range of vans, which has enabled it almost to double its share of the market in Italy.

The little Fiorino van has a dominance of its sector of the Italian market (Fiat's has 80 per cent of the market for 500-cwv vans). But Fiat's position in the 1.3 tonne to 1.8 tonne class is less imposing, and its share dropped 10 per cent in 1982.

The only other Italian commercial vehicle manufacturer is Iveco, a subsidiary of the state-owned Alfa Romeo group. It made only 1,000 vehicles of the L.R.8 and P.12 types in 1982, down from the more than imposing 1,300 produced in 1981. Revenue was 17,83bn, down from 18,6bn the previous year, though a tiny profit was recorded.

James Buxton

fall in 1981 and were brought to Pta 8.9bn in 1982, a year in which Pta sales rose by 42 per cent. The company is due to start the year of the International Harvester pull-out. INI took back the 35 per cent Enasa stake it had sold to the U.S. truck maker in 1980. IH agreed to return to Enasa 100 per cent of the assets, management control, and invest on a 35/65

The contract was a badly-needed confidence booster which offset not just the IH drama but an ill-fated Enasa attempt to establish a subsidiary in Venezuela. Venezuela would have provided motors for a since-abandoned Andean Pact commercial vehicle joint venture. The Spanish parent company is still active in Venezuela, and is, surely,

Future partners would be one faced with a similar need to revamp its cab and of a similar size to Enasa. DAF has a machine that meets the requirements but there has been no decision so far. Another pending decision concerns the purchase by Enasa of a new transporter from the American Altkinson. Likewise, H&C quality. INI is to rule the day.

Enassa, for its part, has branched in domestic transport assistance network and has branched out into providing a similar cover in Europe to aid its export drive. By the end of this year there will be 33 new Pegaso service points along the major TIR routes, specifically on the highway north to Eussell and the branches across to Austria and Italy.

At present more than half of the Pegaso line is operated by Enassa recognises this as inflated by the Egyptian deal and is aiming for a consolidated 40 per cent share in the future.

In the meantime, Enassa has

	Jan/Aug 1982	Per cent total	Jan/Aug 1983	Per cent total	Variation
TRUCKS					
Pegaso	2,678	42.4	2,533	42.5	— 5.4
Renault	2,107	33.4	1,839	31.1	—12.7
Ebro	815	12.9	744	12.8	— 8.7
Total Domestic					
Manufacture ...	5,600	88.6	5,116	86.4	— 8.7
Import	717	11.4	804	13.6	2.1
Total	6,317		5,920		— 6.3
BUSES					
Pegaso	767	75.8	1,125	79.1	46.7
Renault	34	3.4	56	3.9	64.7
Ebro	9	0.9			
Total Domestic					
Manufacture ...	810	80.0	1,181	83.0	45.8
Import	202	20.0	242	17.0	19.8
Total	1,012		1,423		40.6

drawn up a Ptá 25bn five-year strategic plan which earmarks Ptá 9.5b for new products. Much of this budget will be devoted to the production of a new bus for city use and the company has its hopes set on securing a contract for 900 units from the city of Barcelona for use to staff the 1992 Olympic Games. Also changing is Barcelona's renovation order, and underlining the competitive threat from abroad, are Scania, Volvo, Iveco and Mercedes.

The past financial troubles of Enasa are however markedly present in the five-year plan. Labouring still from the effects of the slump a full Ptá 6.6bn has been set aside in the investment plan to improve the company's financial structure.

Tom Burns

Tom Burns

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TRACTORS

24-38 TONNES

* Commercial Motor 23 July 1983

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COMMERCIAL VEHICLES VI

Makers divided on value of joint projects

COMMERCIAL VEHICLES are extremely expensive to develop from scratch. To bring a new engine or transmission into production is likely to cost at least £100m.

So if car makers increasingly have collaborated on such components in pursuit of economies of scale, it would seem to make even more sense for truck manufacturers to do so, because production volumes are far lower.

Despite the extra impetus towards such action that might be expected from the worldwide recession in truck sales, truck makers have not, however, been falling over each other in a scramble to set up joint ventures. The reason is that views on their desirability still conflict.

Iveco, Fiat's commercial vehicles division, is a strong proponent. Iveco itself was set up in 1974 as a joint venture with West Germany's Klockner-

Humboldt-Deutz, bringing together the truck brand names of Magirus, Unic, OM, Lancia and Fiat.

KHD has since pulled out, leaving Fiat as sole owner. But its enthusiasm for collaboration is undiminished, as is its conviction that the European truck industry inevitably will move away from a vertical structure towards one where manufacturers will increasingly assemble at least higher-technology components from specialist makers able to cover their investment costs through high-volume sales to a network of manufacturers.

However, others such as Daimler-Benz, the world's largest truck maker, Volvo, and Scania insist on making their own key components, using the argument that only by doing so can users' needs be fully met.

Daimler-Benz in particular, with annual output of about

250,000 commercials and enormous unutilised cash reserves, can afford to do. But there remains little agreement on what represents the lower threshold at which in-house manufacture becomes uneconomic.

For example, Mr Ron Hancock, chairman of Leyland Vehicles of the UK, says that while Leyland is committed to a course of buying in more components and collaborative ventures, it can still make axles and engines viably for 13,000 vehicles a year. But it has got out of transmission manufacture because at 12,000 a year it is not viable.

Nevertheless, progress is being made on a number of ventures. The ventures include: Iveco's collaboration with Eaton Corporation, the U.S. components group which operates worldwide. Both Eaton and Iveco needed to replace their transmission offer-

ings in medium trucks, so they are jointly developing five- and six-speed transmissions for trucks of up to 16 tonnes. The first prototypes are due to appear next year, with full production scheduled for 1986.

The units will be made at Eaton's Basingstoke plant in the UK and at one of Eaton's U.S. plants, which will mark the first time Eaton has marketed a medium-duty transmission in the U.S. Iveco will also make the transmission at its Brescia factory near Milan.

The advantages for Iveco are savings from shared development costs, and the access it will gain to Eaton's world wide components network. Eaton will get the benefit of guaranteed volume from Iveco, which is Europe's second largest truck maker behind Daimler-Benz. And that will help Eaton keep down the transmission's price to other truck manufacturers.

The venture with Eaton is Iveco's second of this type. In June 1981 it signed an agreement with Rockwell of the U.S. under which a joint company, Rockwell VCC-Omni, will make truck axles. Iveco's Cameri, Italy, plant has been acquired to produce the axles, which will be sold to other truck makers. Production starts next year. They are of the single reduction type, widely used in the U.S. but rare in Europe—where most makers use the hub,

or double-reduction type.

The benefits of another Fiat collaboration deal, with Peugeot to produce purpose-built vans, is now being felt in the market place. Peugeot is supplying the diesel engines and Fiat the bodies for the vans, being built at Sevel, Italy. Capacity is 50,000 vehicles a year, and the vans are being sold variously in Europe as the Fiat Ducato, Peugeot J5, Citroën C35 and Talbot Express.

Consolidate

Daimler-Benz is consolidating its U.S. operation, under which it acquired for \$200m two years ago Consolidated Freightways Freightliner truck-making interests. Freightliner had about 9 per cent of the U.S. over-15 tonnes truck market and, no less important, a 210-strong dealer network and a handful of manufacturing plants in both the U.S. and Canada.

Daimler-Benz is also planning to spend \$61m up to 1987 on Mercedes-Benz España, formerly Mercedes, in which it acquired a majority holding last year, as Spain prepares for entry into the EEC. It has also taken a 40 per cent holding in a new Swiss truck and bus-making company, which includes FHW and Saurer. It also has long-standing collaboration with MAN on diesel engines, and has its G-wagen four-wheel-drive

vehicles made by Steyr-Daimler-Puch of Austria.

Renault Vehicules Industriels, the commercial vehicles arm of state-owned Renault, continues to expand its U.S. operations via its 20 per cent shareholding in Mack Trucks, a subsidiary of Signal Industries.

It has given RVI access to the U.S. market for medium trucks, built in France but badged as the Mack Midliner. Jointly-developed products are on the way.

By the end of this year, RVI will also have increased its stake in the Karrier Motors business of the UK, which makes Dodge trucks, to 90 per cent. It bought a half share from Peugeot two years ago.

RVI says it intends to become as natural a part of the UK motor industry as Ford or GM, and to that end will start assembling a 16-tonne premium RVI truck and a 35-tonne tractor unit at Dunstable next year. It expects to build a total of 500 of the new models a year.

MAN and VW are continuing their joint production of trucks in the 6 to 9 tonnes sector, known as the MT range. VW makes the cabs, gearboxes and rear axles; MAN the engines, front axles, frames and special bodies. The deal made particular sense because the two companies have combined their sales operations in many Euro-

pean countries, and VW was also the only major car maker not to have its own truck business.

However, while the MT's European market share has been creeping up, unit sales have been disappointing. The trucks were launched just before the start of the recession, and to date only about 15,000 have been sold. Originally, output of 15,000 a year was envisaged. Some 4,000 are expected to be sold this year.

Shareholding

International Harvester, its plans to become a pan-European truck producer thwarted by financial problems, has disposed of its shareholding in Spanish state-owned Enasa, and is now seeking to sell off its UK subsidiary, Seddon Atkinson. A possible buyer is Enasa itself, with a decision on whether it can proceed expected from the Spanish state holding company, INI, before the end of the year.

What this entails for Seddon at the moment is unclear, but Enasa is on record as saying it will not reduce the UK company to an assembler of Enasa components.

Nissan is investing \$100m in Motor Iberia of Spain, maker of Ebro trucks, up to 1986. It acquired a 55 per cent stake from Massey Ferguson last year. The main thrust, however, will

be on light commercials— notably the Nissan-based Vanette light van.

General Motors is bringing Japanese manufacturer Isuzu, in which it has a 34 per cent stake, into its UK operations. Bedford will make an Isuzu-based van from next year, but with expected 90 per cent UK content, and to be sold in all European markets. A Suzuki-based van may follow.

ERF, Britain's last independent heavy truck maker, is also collaborating with the Japanese. In June it announced it would build trucks with components supplied by Hino, Japan's largest heavy truck maker, but with a UK content level of about 60 per cent. They will be in the 12-15 tonne range.

Leyland Vehicles and Cummins, the diesel engine maker, are pressing on with their project for a jointly-developed diesel engine, to be built at Leyland's Basingstoke, Scotland, plant from the mid-1980s. Leyland will use the unit in its own trucks, and Cummins will market it through its own sales network.

The "Family 1" diesel for medium-weight trucks, will have its crankshaft and camshafts provided by LV, while the other main components will be supplied by Cummins.

John Griffiths



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Slow progress on EEC harmonisation

WHEN BRITAIN raised its maximum weight limit for heavy articulated vehicles from 32 to 38 tonnes at places where the limits are the same for four-axled outfits as six-axled ones. In contrast, Britain and Ireland 32.5 tonnes, the Netherlands 34.5 tonnes, and Italy 40 tonnes for four-axled outfits.

The same picture of inconsistency on weights is to be found in all other classes of goods vehicle weight legislation. There is the same scene with axle weights, the limits for which range from 10 tonnes to 13 tonnes from country to country, and in dimensions where, admittedly, there is now more uniformity but still no common standards.

The objective of common weights now looks like a pipe dream, because other Community countries (such as the UK) are going their own way. For example, although the official EEC proposal is for 40 tonnes on rigid trucks hauling drawbar trailers, the Netherlands last year introduced a 50 tonnes weight limit for these big-truck and trailer outfits and Belgium is pressing for the same to bring that country into line.

Some idea of the differences between EEC countries just on the question of articulated vehicle weights limits can be gauged from the current legal maxima — Belgium, Britain, Denmark, France, Germany, Greece and Luxembourg all 38 tonnes. But Denmark and Italy have 44 tonnes, the Netherlands 45.5 tonnes and Ireland 32.5 tonnes.

These weights all depend upon the vehicle having six axles. But the limits for articulated vehicles vary from country to country according to number of axles down to four-axled outfits where the following limits apply: Belgium, Denmark, France,

Luxembourg and Greece all 38 tonnes. Note that for some countries the limits are the same for four-axled outfits as six-axled ones.

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existed when Britain joined the Community—such as Germany where the weights and dimensions are virtually the same way as they were 10 years ago.

Weights and dimensions are, however, key issues in vehicle construction so it is not surprising that failure to reach agreement here has inhibited progress towards common standards on other fronts.

Goods vehicle type approval—the official state approval of a particular type of model of motor vehicle—designed for goods carrying—has been part of the commercial vehicle manufacturing scene in a number of European Community countries for many years. But the French system is different from the German and the Dutch one varies again—and so on.

Directive

It plans, however, an important part in harmonising the motor vehicle industry. Britain joined the Community in 1972 there was a European Directive in existence which pledged member countries to adopt a motor vehicle-type approval scheme within a specified time. The UK introduced the first legislation to do this in 1973.

As a consequence truck type approval was finally introduced fully in Britain earlier this year. It, too, varied from the systems of other European countries.

One of the things the scheme has done, however, is to help forward the move to European standards in other areas.

The scheme provides that the manufacturer of the goods vehicle involved must submit it to the Department of Transport to determine its gross train and

axle weights to see that it complies with specific requirements on road safety, and meets environmental standards. The road safety and environmental standards are based on European standards and here the fruits of Community harmonisation efforts can be seen.

While the European Economic Community issues Directives on motor vehicle matters relative to the member countries, another body—given the responsibility in 1958 of creating common European vehicle standards—has an overlapping role. This is the United Nations Economic Commission for Europe (ECE). The main difference between the two bodies is that the ECE is concerned entirely with component standardisation and the EEC with complete vehicles.

The resulting standards are providing a measure of harmonisation in certain areas and it is perhaps appropriate to list them: door latches and hinges, radio interference suppression, protective steering, exhaust emissions (diesel), exhaust emissions (petrol), lamps (headlamps and bulbs), lamps (side, rear and stop), rear reflectors, direction indicators, rear-view mirrors, anti-theft devices, seat belts and anchorages, brakes, noise and silencers, glass in windshields and exterior windows, seats and anchorages, tyres, interior fittings and external projections, speedometers and revs for lamp.

Most of these items have particular relevance to passenger cars but the ones of particular consequence for goods vehicles are those concerned with exhaust emissions, brakes, noise and silencers because these are subjects covered extensively by the UK goods vehicle national

type approval scheme. This is because type approval covers two aspects. One is the individual approval of systems—brakes, noise emission, engine power and so on—and the other the complete vehicle.

One of the areas covered by goods vehicle type approval is that vehicles must have engines fitted with sufficient power to pull the specified weight. Power-to-weight ratios are thus important. What the power level of a vehicle is can, however, be somewhat confusing because there are so many (varying) standards.

There is an EEC Directive covering the test method to be used (EEC 80/1289) but, because its use is not mandatory, for marketing purposes manufacturers quote a number of standards, which will show their engines in a more favourable light than their competitors'.

In Britain, the British Standard has been the normal one applied (BS AU 141a) for some years although the EEC one is now coming in. For years in Europe the German DIN rating was the norm and it still is with many European manufacturers. There is also an ISO engine rating standard which some manufacturers are using to their advantage.

Add the fact that the American cars have their own SAE standard too—and there is a rare muddle. To make matters worse, Britain's horsepower unit (HP) varies slightly from the European PS.

Harmonisation in this area would be a great relief to everybody.

Eric Gibbens

Cleaner diesels earn success

THE SLUMP in commercial vehicle sales in the past four years has camouflaged the increasing popularity of diesel engines for these products.

Once noisy, dirty and inefficient, diesel engines have been made much quieter, cleaner and more comfortable in recent years because of a few important technical improvements. Their attraction is further enhanced in countries, such as Italy, where diesel fuel is priced at a significant discount to petrol, but diesel penetration has also been impressive in countries, such as West Germany and the UK, where there has been a long tradition of diesel engine manufacture and operation.

Study

The proportion of commercial vehicles powered by diesel engines in Britain rose from 41 per cent in 1978 to 49 per cent in 1981, according to a study by Planning Research and Systems of London. In the U.S. it nearly doubled from 6 per cent to 11 per cent over the same period and in France it jumped from 15 per cent to 23 per cent. In West Germany, the proportion rose from 67 per cent to 83 per cent, while in Japan it advanced from 19 per cent to 24 per cent.

These figures also show that, in most countries, there is still plenty of room for diesel engines to displace petrol engines. For their part, diesel engine manufacturers are confident that they can go on making improvements to the performance of their engines that will make them more competitive.

Even greater improvements in efficiency are possible with refinements to turbocharging. The main developments in

diesel engine technology that have affected engines used in commercial vehicles have been turbocharging and inter-cooling. In the near future, new fuel injection systems should further improve the efficiency of engines for smaller commercial vehicles.

The introduction of turbocharging to diesel engines came in the 1940s, but it was not until the early 1960s that it was widely accepted in Europe for commercial vehicles, and still later in the UK.

The principle of turbocharging is to use the high velocity exhaust stream from the engine to drive a turbine. A compressor is attached to the turbine, and used to push more air into the cylinders than would occur under natural aspiration, thus improving combustion.

The engine designer has the choice of taking the combustion improvement in the form of increased power or lower fuel consumption, or a combination of both. Typically, engine manufacturers offer a range of models. Perkins Engines of Britain, for example, offers models of its 76 5.3 litre engine ranging from 108 bhp naturally aspirated up to 145 bhp with a simple turbocharger.

By improving combustion, turbocharging also reduces chemical and noise emissions from the engine. Cummins Engine Company of the U.S. claims a reduction of three decibels of noise in the typical heavy engine when it is turbocharged.

Even greater improvements in efficiency are possible with refinements to turbocharging. The main developments in

inter-cooling. This involves cooling the hot air entering the turbocharger so that it can be further compressed before being injected into the cylinder.

A Cummins 14-litre engine that has inter-cooling develops up to 400 bhp compared with 240 bhp in the naturally aspirated version. Perkins 5.3 litre T9 develops up to 159 bhp in inter-cooled versions.

Another refinement, but one which is less widespread, is tandem or series turbocharging. As its name implies, this is a method of increasing the density of the air by compressing it in two stages.

There has been considerable talk and development in the past couple of years on turbo-compounding, but no evidence yet of a commercial product. The idea is to use the turbocharger not only to compress the input air, but also to provide a mechanical power boost to the engine. In other words, it implies adding turbine power to the diesel power.

Shape

Despite all these refinements, manufacturers are still trying to improve the combustion process. Some, including Deutz of West Germany and Perkins of Britain, have changed the shape of the piston head—to a re-entrant bowl form—to help the fuel and air mixture spread throughout the cylinder as evenly and quickly as possible.

As larger diesel engines for commercial vehicles have systems for injecting fuel directly into the cylinder. Direct injection is satisfactory in these models because the revolution speed is not too high, and so the fuel and air have

time to mix and produce good combustion.

In smaller, higher speed engines, direct injection systems have not been able to produce good combustion, and so unacceptable levels of emissions emerge. Thus, manufacturers have had to resort to indirect injection systems for car and light truck diesels. These use a chamber in the cylinder head to mix the fuel and air before injecting them into the cylinder, and are not as fuel efficient as direct injection systems.

Manufacturers of smaller engines have been working hard on developing direct injection systems, but the problems are considerable. One ambitious project, by BMW of West Germany and Steyr-Daimler-Puch of Austria, was abandoned last year.

Perkins is developing a direct injection system to go in the 2 litre O series engine it is developing with Austin Rover for the Freight Rover. Perkins is confident that it will be the first to succeed in this area—the engine launch is scheduled for next summer—and that the direct injection system will provide a 20 per cent reduction in fuel consumption compared with an indirect system.

Ford and Fiat are working independently on similar projects with 2.4 litre engines, and are looking for a 10 to 15 per cent reduction in fuel consumption.

The next area of development could be the electronic control of fuel injection. Most manufacturers expect to see systems begin to appear on engines within the next year or two.

Ian Rodger

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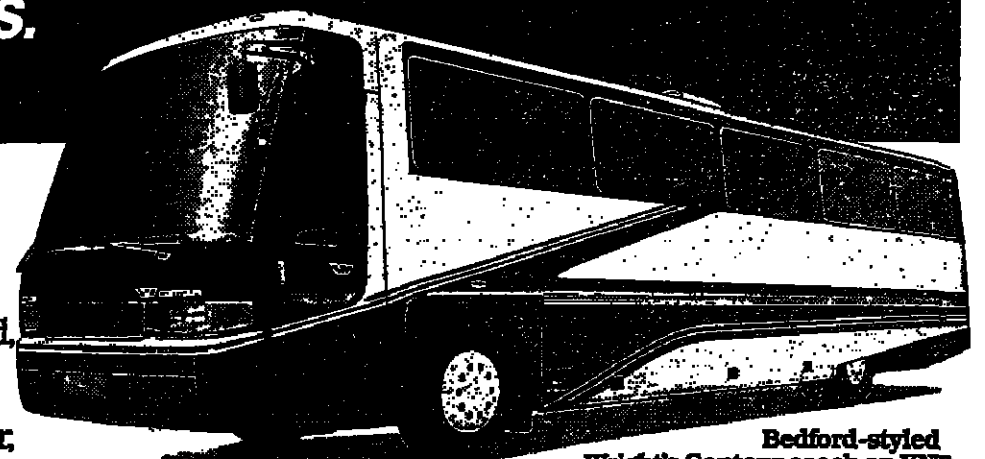
On test with Truck magazine, the same combination achieved a remarkable 7.84 mpg at 38 tonnes gross. For full details, see 'Commercial Motor', November 12 and 'Truck', November.



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BEDFORD MEANS BUSINESS



COMMERCIAL VEHICLES VIII

MR RON HANCOCK, chairman of Leyland Vehicles, BL's truck and bus business, believes in emphasising the positive.

While much of the news from Leyland has been gloomy, he prefers to point out that the company's share of the UK truck market has improved this year—the first time in 10 years that it has stopped falling.

By the end of August, Leyland had 14.6 per cent of the market for trucks over 3.5 tonnes gross weight compared with 12.7 per cent at the same time last year.

It has taken some time for the benefits of Leyland's new T45 truck range using the C40 cab—first seen with the top-weight Roadtrain in 1980—to show up in the market place in this way.

Leyland spent £200m to replace completely its truck ranges both for Europe and markets elsewhere. But, by starting at the low-volume end with Roadtrain, there has been little chance until this year to reverse the apparently inevitable decline in market share. Leyland had 30 per cent 10 years ago.

And, according to Mr Hancock, the best is yet to come. The key product in Leyland's recovery programme is code-named MT211 which, he says, "is as important to Leyland as the Metro was to Austin Rover."

MT211 is a replacement for the 13-year-old Terrier which operates in the 7-11 tonnes segment of the truck market in volume terms—the biggest segment in the market with 30 per cent of total truck sales in Britain.

Asset

The old Terrier takes a 13 per cent share of the segment and Leyland would be disappointed if MT211 did not do twice as well—at the very least.

MT211 comes on stream at the Leyland, Lancs, plant next spring so it will not have a profound impact on Leyland's domestic market share until 1985. The main competition is the British-built Ford Cargo in the 7 to 11 tonnes weight range.

So it will take time for Leyland to recover. Mr Hancock maintains that recovery is worth waiting for because Leyland could be, once more, a major asset for Britain.

The management, he asserts, is working steadily towards bringing Leyland back to profitability by the end of the current five-year plan (1983-88) and probably by 1987.

Leyland's trading loss last year was £59m, a reduction from £73m for 1981. The signs are that the position will improve again in 1983.

The recovery plan, instituted in early 1982, has helped Leyland survive the severe

Home market share rising

recession in trucks and bus sales worldwide.

That plan involved a 27 per cent—or 4,100—cut in jobs on top of the already-severe reductions of 7,000 in 1979-80 and 3,000 in 1981.

It also involved the closure of the Guy truck plant at Wolverhampton; concentration of axle output at Albion in Scotland, while the export trucks were to be produced at Bathgate, also in Scotland.

Mr Hancock ticks off on his fingers the dramatic changes at Leyland in the past 18 months: manufacturing space cut by 44 per cent (and some surplus property sold off); manpower down by 30 per cent and stocks by 22 per cent.

The workforce—28,000 when Mr Michael Edwards moved in at BL in 1978—is now down to 15,700, and will be 15,000 by the end of this year, following further job losses at Bathgate and the Bristol bus facilities, reductions announced earlier this year.

The severe pruning was necessary, as the fall in Leyland's output during the same period illustrates dramatically. It was 31,000 vehicles in 1977. By 1981 output had plummeted to 16,800 only to fall further to 14,200 last year.

In the first half of 1983 Leyland's production was only 6,350, down from 8,014 in the same period of last year.

A great deal of the reduction was simply that Leyland's output fell in line with the severe drop in total truck demand both at home and overseas.

Mr Hancock admits that Leyland's return to profitability will depend on world demand picking up considerably.

In the past, Leyland in an average year would export half its annual output. This year exports will represent only 25 per cent of production.

In unit terms, exports which averaged 10,000 trucks a year not a long ago, dropped in 1982 to 6,000 and in 1983 Leyland will be lucky to reach 3,000.

The world recession has left Leyland's own subsidiaries around the world short of foreign currency to pay for imports of either kits or built-up vehicles. Nigeria, the best market, took 1,300 trucks in 1982, but the total will be only 100 this year.

And it is not just the developing countries which are affected. Leyland will send South Africa under 700 trucks this year against 800 to 900 in more normal times.

Leyland has actually given up truck exports to Australia for good because it cannot sell them at a profit there. (Coach sales continue, however.)

There are bright spots amid the general gloom. Ashok Leyland, Leyland's 50.6 per cent owned subsidiary in India this year will increase output to 16,000 and thus produce more vehicles than its parent in Britain.



Leyland benefits from dividend payments, and an occasional order from Ashok for vehicles which the Indian company cannot make itself, or, more likely, supply as quickly as the customer would like.

In France, the only Continental market with a reasonable import percentage in truck sales, and thus the one on which Leyland is concentrating, sales of the Roadtrain heavyweight truck (the UK group's only model in the French market and sold with a Rolls-Royce engine) will rise from 170 last year to 250 in 1983.

Buses also offer considerable

export potential. Leyland's double-deckers continue to win large orders and it has developed a single-decker suitable for export in kit form.

Previously its single-deckers, built specifically to National Bus Company requirements, were not suitable for export in kits—the method most commonly used by other companies.

And Mr Hancock has high hopes for the Railbus, a passenger coach based on a coach body. British Rail has ordered 160 and railways all over the world are showing interest.

If Leyland is to become profitable again the UK market must also return to more normal levels—60,000 trucks a year compared with the 49,000 Leyland forecasts for 1983 or the 54,000 predicted for 1984.

Leyland will also rely heavily on joint ventures and more bought-in components in future. Says Mr Hancock: "With a volume of 12,000 vehicles a year we can build axles at prices competitive with any in the world. We can be internationally competitive with engine sales of 12,000 this year. But it is debatable if a company with a 12,000-a-year volume can be competitive with its own gearboxes—that is why we got out of that business."

Leyland has a deal with Cummins of the U.S. to manufacture a new range of diesel engines developed by the American group.

Leyland is to use the engines in its medium-weight trucks from the mid-1980s and will supply them to Cummins' European customers which make lift trucks, agricultural equipment and other industrial products.

To increase further the economies of scale, Cummins and Leyland will swap key components for the new small engines, called Family 1. Leyland is spending £30m to re-equip part of Bathgate which will make and sell crankshafts and camshafts to Cummins for the Family 1. Cummins will make and sell engine blocks and heads for the Bathgate-produced engines from its new plant at Rocky Mount in North Carolina.

Leyland will replace its entire small diesel engine range with four and six-cylinder versions of the Family 1. The engines, ranging in power output from 75 to 160 hp, will be at the heart of Leyland's volume-selling medium trucks which account for about 60 per cent of its output.

The two companies estimate that by 1990 Bathgate might be supplying about 40,000 of the Family 1 a year with just under half of them for Cummins' customers.

More cash and new vehicles

"THIS IS JUST the first step along the road to a new, rejuvenated Bedford," declared Mr Don Atwood, a General Motors vice-president, when he announced earlier this year that Bedford, one of the oldest names in the British commercial vehicle business, was to get a rapid transfusion of Japanese products and General Motors' cash.

The news that GM will spend £50m immediately, rising to £70m over three years, to revamp Bedford's van lines at Luton and introduce a new one-tonne van based on the Isuzu WFR model, was greeted by one long-serving Bedford executive with the comment: "At last. It shows that someone in GM's Detroit headquarters cares about Bedford."

Mr J. T. Battenberg III, the 40-year-old GM high-flyer drafted in to run Bedford from

now on, hinted as much when he maintained: "The more I get to know Bedford and the world commercial vehicle industry, the more I share with my British colleagues the view that its move into the global arena of operation has come not a moment too soon and ideally should have been under way in the early 1970s."

The reason for the renewed interest in Bedford is that GM is the world's biggest producer of cars and in the long term covets the top spot for commercial vehicles too.

To this end GM has brought together into a "world truck and bus group" all its truck, bus and diesel engine production activities in North America, Brazil and Europe, where Bedford is the main element.

Also involved, but as arm's length suppliers and customers,

are two Japanese associates: Isuzu, in which GM has a 34 per cent stake, and Suzuki, where it has 5 per cent.

Bedford previously was responsible for GM's European commercial vehicle operations but, now control has been snatched back to the new world truck and bus headquarters at Pontiac, Michigan, where Mr Atwood is group executive in charge.

The formal change took place in January when Bedford was split away from Vauxhall, GM's car business in Britain, at which time a value of £177m was put on Bedford. Bedford now stands alone with its own management team headed by Mr Battenberg who reports directly to Mr Atwood.

As Mr Battenberg points out, the Bedford management now is "dedicated 100 per cent to the commercial vehicle business and the only priorities we have are commercial vehicle priorities."

In other words, no longer will Bedford's successes or failures be obscured by those in the Vauxhall car operations. Until 1980 Bedford was profitable but that fact was not clear to see because its financial results have not been separated out from those of the car business. Vauxhall (including Bedford) has reported a net profit only once in the past 13 years.

The 1982 results showed a net loss of £38.7m on a turnover of £1,066m compared with a loss of £57.4m on sales of £761.7m the previous year.

Ironically, the car operations are now profitable but Bedford is suffering from the downturn in demand which first hit the UK in 1980 and subsequently spread to export markets.

GM's "world truck" programme is all about economies of scale. The group wants to develop and produce key components—such as engines, axles, transmissions—on a large scale for use in trucks assembled by its subsidiaries and associates throughout the world.

Promise

However, none of this will take effect until the end of the 1980s. Mr Atwood promises that Bedford will remain an assembler of vehicles for the UK and Europe and a manufacturer of components and sub-assemblies for the world truck group where it can be competitive. (any italics).

That is not exactly an unqualified note of confidence. And Mr Atwood insists: "Bedford still has some serious operational problems. Costs need to be reduced further. Manufacturing efficiencies still need to be increased. And the marketing and distribution network must be substantially strengthened, particularly in Bedford's traditional export areas."

GM's search for products to make Bedford more competitive has turned up the Isuzu WFR van. Bedford will spend £25m to re-engineer the Japanese product for Europe and another £25m to upgrade the Luton van line.

The Bedford CF van, also produced at Luton and which GM reckons is complemented by the WFR, will benefit from a new paint plant being installed.

To avoid being caught by the restrictions on sales of Japanese vehicles in Britain, Bedford will push the EEC content of the vans to 50 per cent by factory value as quickly as possible.

Production will start at the end of next year and the annual

Mr Hancock reports that Leyland recently ordered £10m of production equipment for the Family 1 project and cleared the space at Bathgate to install it early next year.

This year Leyland's total capital expenditure will be about £20m and on top of that it is maintaining engineering and development investment at more than 6 per cent of turnover.

There has been a major drive to improve quality at the truck plants and Mr Hancock claims that this has reduced faults in the vehicles by two-thirds. Leyland aims to cut faults again by half via its quality audit system which involves several trucks being pulled from the truck each day and then examined by an independent team (including the managing director on one day a week). "Then we will match anyone in the business for quality."

Mr Hancock also insists that spare parts availability—which had begun to decline—is back up to scratch and that there is 95 per cent availability of parts for "vehicles off road" and a maximum 24-hour delay in delivery.

Multipart, Leyland's all-makes truck spares operation, has been extremely successful and profitable and this year will bring in more revenue than the " captive " Leyland parts business.

The Multipart business is being expanded both inside and outside the UK.

Kenneth Gooding

Taking time to reach objectives

ASK M Pierre Semeren, president of Renault Vehicules Industriels (RVI), the truck subsidiary of the state-owned French group, when it might achieve the objectives it has set itself and he smiles broadly, shrugs his shoulders and says: "in five to 50 years."

The joke has its serious side. For who knows just what the French Government might require from RVI in the future.

The group was formed in 1975 when Renault's existing commercial vehicle offshoot, Savim, was merged with Berliet, up to that time owned by Citroen. Citroen had run into money troubles so the "French" solution was to offload the car business onto Peugeot and the trucks onto Renault.

Rationalisation of the Savim and Berliet ranges and facilities has been taking slowly and steadily and now both the old names have been dropped in favour of the Renault badge on all trucks. The workforce has been reduced from 35,000 to under 25,000.

In 1981 RVI was part of yet another "French" solution—this time to the problems Peugeot was having with the commercial vehicle activities under the Dodge banner. It acquired the Dodge assets of the European assets of the Chrysler Corporation.

RVI, it was decided, would take a half-share and management control of the Dodge business, based in the UK and Spain.

The deal will be taken further by the end of this year because RVI has agreed to increase its shareholding in the UK company—now renamed Karrier Motors—to 90 per cent. No doubt a similar move will be made in respect of the Spanish company.

An unexpected element in 1983 was the decision by Signal, the Californian industrial group, to sell off the rest of Mack Trucks in the States.

RVI already owned 20 per cent, bought in 1979 for \$150m, to give it a bridgehead in the American market and to cement a deal whereby Mack sells French-built, medium-weight RVI diesel trucks as "Mack Midlens" in the U.S. (\$711 were registered last year).

Advantages

The Renault group's policy is to leave its U.S. operations as American-owned businesses. This has a number of advantages, particularly when they are bidding for U.S. Government contracts. There is also a great number of customers who "Buy American."

M Bernard Hanan, president of Renault, admits the timing of the Mack deal was not particularly to his liking. However, what he describes as a "clever deal" was worked out which will limit Renault's initial financial obligations. The French group will pay \$100m in equal instalments in 1983-84-85 for a further 25 per cent of "Mack" taking its stake to 45 per cent. It also gets effective management control of Mack. The

rest of the Mack shares are to be sold to the U.S. public. Although Mack suffered a \$32.3m loss in 1982, M Hanan insists the company "has shown it can contain losses even though the U.S. truck market has collapsed. Mack has now a very low break-even point and even a modest recovery, say to a market of 110,000 to 120,000 (compared with 73,000 last year) would put it back in the black."

By 1985 Mack should be a profitable operation.

Mack was an essential element in RVI's strategy for the future. Since 1979 Mack engineers have been working with RVI in France and more recently those in the UK and Spain, on components suitable for RVI trucks for sale on both sides of the Atlantic in the late 1980s.

Add Mack's normal annual output of 20,000 to RVI's 40,000 heavy trucks and there are economies of scale to match those available to any other group in the world.



M Semeren reckons that this year RVI will suffer a 10 per cent drop in truck output to around 38,000. The UK and Spanish offshoots will also show slight declines—to around 3,500 in Britain and just under 5,000 in Spain. Mack Trucks production is likely to fall 10 per cent to 18,000.

The upshot, says M Semeren, is that RVI's losses in 1983 will be higher than last year's £FR 746m.

RVI's prime objective, he insists, is to make a "comeback" in France where in the over-5 tonnes gross weight sector the company has been losing ground to the importers. In 1981 RVI had 43 per cent of its home market; last year it slipped to 40.2 per cent and recently has been as low as 38 per cent.

At the same time, the group must consolidate its position in the U.S., the UK and Spain and reinforce its position in the rest of Europe. "And there is still a big effort to be made on production."

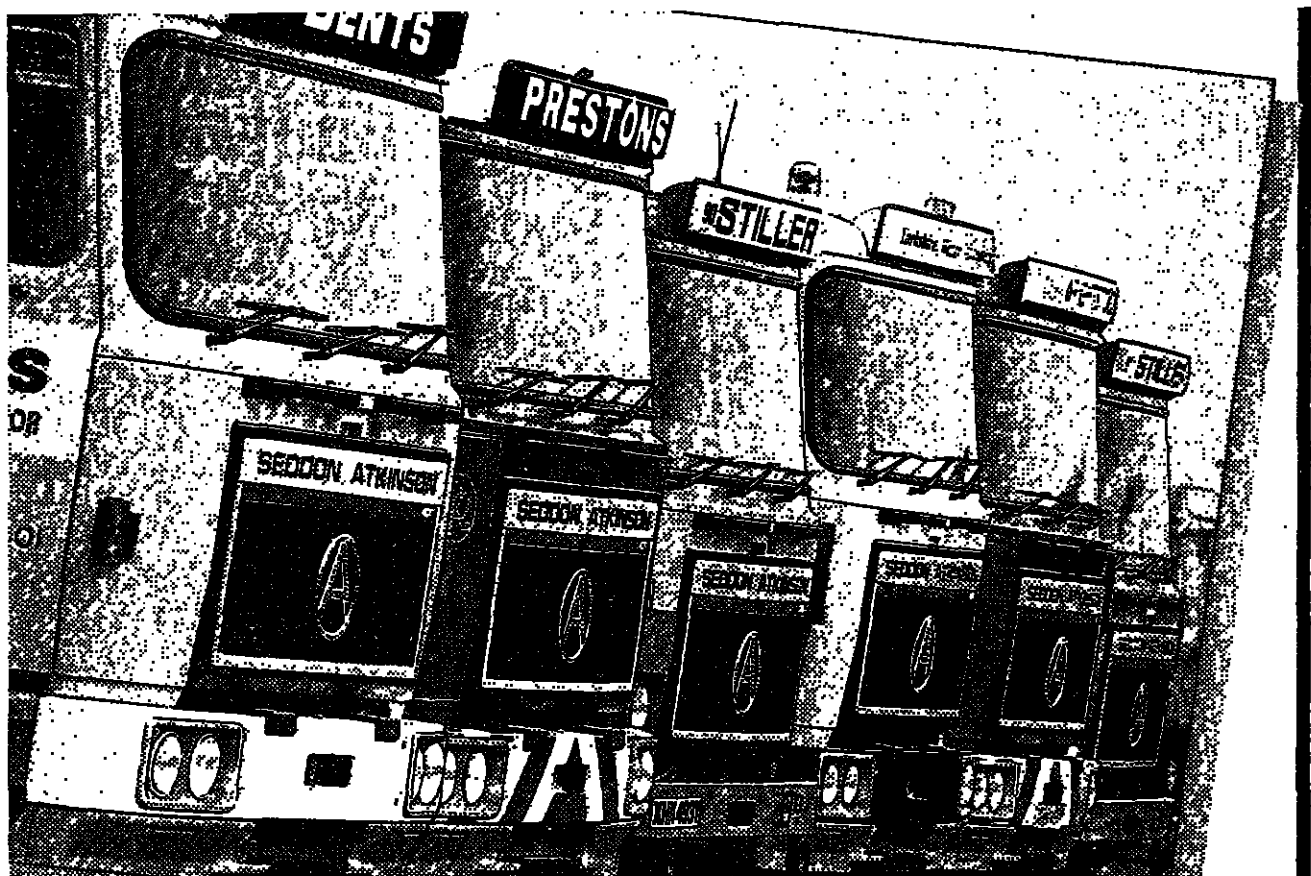
In both Spain and Britain RVI will enlarge the Dodge ranges by introducing its own heavyweights.

In Britain the intention, according to M Laurent Brisset, Karrier's chairman, is for RVI "to become as natural a part of the British motor industry as Ford or General Motors."

A start will be made with the assembly of two ranges of RVI heavyweights at the Dunstable, Bedfordshire plant.

RVI has designed a high-powered, 16-tonner specifically for the UK because vehicles of this gross weight are not much in demand on the Continent. It will go into production at Dunstable early next year, following hard on the heels of the G20, 38-tonne truck of which pilot production begins shortly.

K.G.



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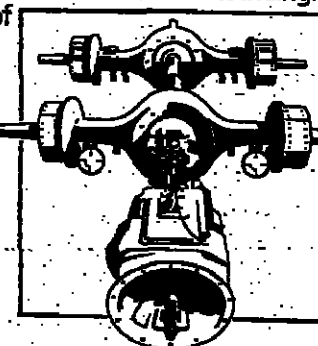
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COMMERCIAL VEHICLES IX

Gradual, efficient expansion

DAIMLER-BENZ was dealt an unexpected blow less than two weeks ago when the chairman since 1980, Dr Gerhard Prinz, died suddenly at the age of 54.

Dr Prinz followed Dr Joachim Zahn who retired after 14 years as chairman and D-B was obviously hoping for another long-serving chairman to consolidate Dr Zahn's achievements.

Dr Prinz summed up D-B's corporate philosophy perfectly when he said recently: "We intend to expand our penetration of all the volume European car and truck markets. But we will do so gradually, not dramatically, from one year to the next."

"We will move only when our dealer network is efficient enough to be able to provide proper service back-up for the extra vehicles sold."

By being careful, cautious and conservative, D-B has risen to become the biggest motor industry group in Europe in turnover terms — sales of DM 38.9bn last year put it ahead of the Volkswagen-Audi group's DM 37.49bn.

D-B is also the leading truck and bus producer in western Europe in volume terms, accounting for about 14 per cent of all vans and trucks built, and about one-third of all the trucks over 6 tonnes.

Move a little further up the

weight range and D-B is the biggest producer of trucks over 15 tonnes gross in the world.

And D-B ended 1982 with a massive DM 9bn (\$3.5bn) cash reserve, an extremely useful cushion against the recession and the deep drop in truck demand which has arrived with it.

Dr Prinz, as might be expected, insisted that the cash will certainly not be used for acquisitions and a dash for fast growth.

"Our policy is to generate growth from our own resources. We don't like big acquisitions. And when we do take a company over we stick to our own field. It is dangerous to acquire a company in a business of which you know very little."

For the time being D-B has no intention of filling the obvious gaps in its vehicle operations. It is not represented in the Far East with its own assembly facilities but Dr Prinz said, "At the moment we do not have the courage to consider an acquisition there."

The gap is significant because outside West Germany D-B has 14 production works and 27

assembly plants. There are important subsidiaries in Brazil, Argentina, Spain and the U.S.

D-B does not intend, either, to move into the business of producing vans below 2.5 tonnes gross weight. "Such vans use high-volume, car-derived components of a type we do not have," said Dr Prinz.



In any event, he believed that DM 9bn in cash is not excessive compared with the group's turnover of DM 38.9bn and the fact that exports which go to 170 countries—account for 84 per cent of sales. "Financing exports is more expensive and risky than financing domestic business."

The D-B Board is under no pressure from shareholders to change its ultra-conservative approach. The major shareholder is Deutsche Bank with 28.1 per cent and then comes the Mercedes-Automobil-Hold-

ing concern, separately quoted and owned by West German institutions and small shareholders, with 25.23 per cent. Kuwait, via its investment company, has a further 14 per cent.

Dr Prinz maintained that the board welcomed this Kuwaiti shareholding for the stability it brought but would be surprised if it was raised. The Flick group owns 10 per cent of D-B leaving only 20 per cent to be spread through 100,000 other shareholders.

Looking to the group's future, Dr Prinz insisted that, although the car business accounted for nearly all the 11.5 per cent improvement in net profit to DM 921m last year, the group remained equally committed to its commercial vehicle operations.

In spite of spending DM 2bn on the new small car, the 190, launched at the end of last year, commercial vehicles still absorb their fair share of the group's investment spending. Last year the commercials accounted for 27 per cent of the DM 3.4bn capital spending. (The outlay worldwide in 1983 will be about DM 5bn).

The 1982 investment programme was completely self-financed. "If we had to publish a separate truck balance sheet for 1982, we would be able to pay a good dividend and put a good sum into reserves," said Dr Prinz.

The West German factories — at Mannheim (engines and buses), Gaggenau (gearboxes and Unimogs), Berlin-Marienfelde, Kassel (axles), Hamburg-Harburg and the main assembly facility at Wörth on the Rhine — produced 4.6 per cent fewer Mercedes commercial vehicles last year and Dr Prinz admitted that the group expects a further 9 per cent fall, from 137,000 to 124,000 this year.

In the longer term the group expects good growth in heavy truck sales in the U.S. when it adds to and revamps the Freightliner range using D-B know-how.

Freightliner was acquired by D-B in 1981 after "three years of careful planning" and is expected to hold sales at around 8,000 trucks this year. "But we expect to have a fair chance to expand in the growing market in the U.S.," Dr Prinz said.

The acquisition of Freight-

liner took D-B into the big time in the U.S. giving it about 9 per cent of the heavy truck market. Freightliner sold just over 10,400 vehicles in 1980 but this was reduced to 9,000 in 1981 because of the slump in total truck sales in the U.S.

In 1982 D-B reorganised its U.S. interests, bringing together the Hampton, Virginia, assembly plant it had operated for two years previously with Freightliner in a new holding company, Daimler-Benz of North America.

The holding company also takes in the Euclid construction equipment business D-B has owned for many years. D-B's new truck business in the U.S. has a turnover of about \$700m and employs around 4,600.

In Europe, the most significant recent acquisition was in Spain where in 1980 D-B lifted its 45.6 per cent existing shareholding in the Mevosa company to 52 per cent. The Spanish Government, through its INI holding company, owns 45.5 per cent of Mevosa which has a factory at Vitoria, for light vans, and another at Barcelona for diesel engines.

D-B is in the process of expanding Mevosa's van production capacity from 16,000 and will also increase diesel engine output substantially.

Kenneth Gooding

Working for a turnaround

MAN, West Germany's second largest truck maker, has had more than its share of problems during the past year.

Long used to being in the black, the company (Maschinenfabrik Augsburg-Nürnberg), which also embraces a wide range of engineering activities, reported a DM 300m (\$115m) loss for the financial year to June, against a DM 31.7m profit a year earlier. About half the loss came from the commercial vehicles division, whose sales revenue dropped by 27 per cent, from DM 3.8bn to DM 2.8bn.

Subsequently, there has been a struggle at the highest levels both of MAN and its parent GHH, Europe's biggest engineering group, over the direction a recovery strategy at MAN might take.

A supervisory board meeting of GHH was due to take place yesterday, to be followed on Friday by one of MAN's supervisory board. Major decisions on the future of some key board figures and company policy were expected.

The extent of the problems facing it on the commercial vehicles side were outlined recently by Herr Wilfried Lochte, head of the trucks division. Truck production fell by nearly one-third last year, from 22,042 to 17,397; but output fell from 3,431 to 2,616. Actual truck sales were lower yet at 16,000.

On average, despite a number of measures taken since 1980 to cut back on jobs and capacity, between 20 and 25 per cent of capacity was unused last year. In the case of the medium-weight trucks it produces jointly with Volkswagen, no less than 70 per cent of capacity was unused.

The workforce, 21,500 in 1980, continues to be pared down to a planned 16,000 by the middle of next year. Like other European truck makers, Herr Lochte blames mainly the collapse of demand in Opec and other Third World states for the company's difficulties.

For MAN, the collapse was swift and devastating: in calendar year 1982 57 per cent of its trucks were exported; in this year's first six months—embracing the last half of MAN's financial year—exports plunged to 38 per cent.

In 1981, MAN supplied 5,600 trucks to the Middle East alone, or 25 per cent of output. In the six months ending June, the Middle East took 47.

The problems have been compounded by weak demand in Western Europe.

However, Herr Lochte says that an upturn in demand now taking place in West Germany and some other European markets should produce a turnaround at MAN this year.

What he will not predict is when there might be a return to profitability.

In terms of company structure, heavy truck output is now being concentrated more strongly at the Munich plant, with bus and MAN-VW 6-9-tonne truck output being concentrated at Salzgitter.

M.A.N.

Despite its drop in unit sales MAN has in any case been strengthening market share, and has 24.25 per cent of the West German market for trucks over 3.5 tonnes.

He does not discount collaboration with other truck makers beyond its existing links with VW and a long-standing collaboration with Daimler-Benz, with which it shares diesel engine production facilities.

A priority, however, is to consolidate the group's strength in the West German and European markets, and to become less dependent on volatile Third World sales.

But MAN's production activities are far from confined to West Germany. Its Austrian subsidiary, Graf and Stift, has 2,000 employees making trucks and buses at two plants near Vienna. In South Africa, heavy trucks are assembled by another subsidiary, MAN Automotive, employing 600 and turning over DM 190m last year.

In the U.S., MAN Truck and Bus Corporation employs 700 making articulated buses—almost 1,200 of which have been sold to make MAN the clear market leader.

MAN is also Turkey's largest maker of heavy trucks and buses through an affiliate, MANAS of Istanbul, which employs 1,100.

Its smallest operation is in Australia, where difficult market conditions have led it to cut assembly operations of its MAN Automotive subsidiary, at least for trucks, though a strong presence in the Australian bus market is retained.

John Griffiths

Ambitions to be biggest truck producer

HINO IS JAPAN'S largest heavy truck producer and makes no bones about its long-term objective. It wants to become the world's biggest heavy truck producer, in unit terms, overtaking Daimler-Benz of West Germany on the way.

It has a long way to go. Last year D-B produced over 250,000 commercial vehicles world-wide. Hino's output was 61,455 (down from 74,000 in 1981).

But Hino considers itself to be part of the Toyota group, even though Japan's largest automotive concern only has a 9.3 per cent shareholding. And Hino produces about 240,000 pick-up trucks a year for sale with Toyota badges as well as 70,000 to 80,000 Toyota cars.

An important element in Hino's strategy for world domination was slotted into place this past summer when it signed up an assembler for the U.S.

Hino believes that the Japanese big-truck producers cannot expect any further

growth in worldwide sales unless they enter the U.S. market. "The major truck makers in Japan have virtually exhausted the rest of the international market with only the U.S. left untouched," a Hino executive said earlier.

Hino is using the Toyota connection to good effect in the States. It will import knocked-down kits via its own U.S. subsidiary. But assembly of the trucks will be by Lisa Enterprises of Decatur, Florida—the parent company of a major Toyota car distributor, Southeast Toyota Distributors.

Three mid-range (gross weights from 25,500 lb to 40,000 lb) diesel models will be assembled, starting early in 1984. The trucks will be powered by Hino's six-cylinder diesels rated at 160, 180 and 200 hp, with a six-speed transmission—but customers might also be offered an Allison automatic as well. Production should reach

500 next year, rise to 800 in 1985 and Hino reckons 5,000 a year is possible from 1988 onwards.

Some parts for the Hino trucks, such as fuel tanks, batteries and tyres, will be bought in the U.S. At first marketing will be restricted to the South East States and then spread more widely as production builds up and the new Lisa company develops along with it.

Hino has been testing the water in North America by dipping its toe into the Canadian market. It has a small assembly unit there producing about 450 vehicles a year.

The Japanese group also has hopes of getting into the bus business in the U.S. Two buses were tested by the City of New York in 1981 and in June last year Hino sent another, built to American specifications, for a follow-up test.

If the test is successful, Hino would be in the running for orders for several hundred buses a year from New York

and would set up a bus assembly facility to fulfil them.

Apparently Hino has given up attempts to boost sales in Europe—where it has been selling 500 to 600 trucks a year—to significant levels. It once planned a truck assembly plant for Europe in Belgium where it had space



available at its past distribution centre. But that project has been dropped. "There are too many strong European heavy truck manufacturers," said Mr Katsuhiko Yamaguchi, managing director of Hino's overseas operations, by way of explanation.

However, the Japanese group has found a way to make a little more money in Britain. It has agreed to deal with the UK independent, KRF which will produce 12 to 15-tonne trucks based on Hino designs.

KRF hopes to capture 10 per cent of the market sector in Britain (and the deal restricts it to sales in the UK) which accounts for 10,000 to 12,000 units of this weight a year. To do so KRF would have to take sales away from Ford and Bedford, which dominate the sector, with Dodge, another UK-based supplier, a good third.

By adding vehicles complementary to its own truck range, KRF expects to make its 50 distributors and dealers in Britain a bit more viable and thus protect sales of its own heavy models.

The UK Department of Industry has insisted that local (that is EEC) content in the KRF-Hino vehicles start at 60 per cent and rise as quickly as possible—but within three years at the latest—to 80 per cent.

Some people in the British industry were dismayed to find KRF sold commit itself to these local content targets and yet still import Hino cabs from Japan in a

built-up state, gearboxes and both front and rear axles. One of the terms of the arrangement is that the Japanese will not ship directly to Britain heavy trucks of over 3.5 tonnes gross weight.

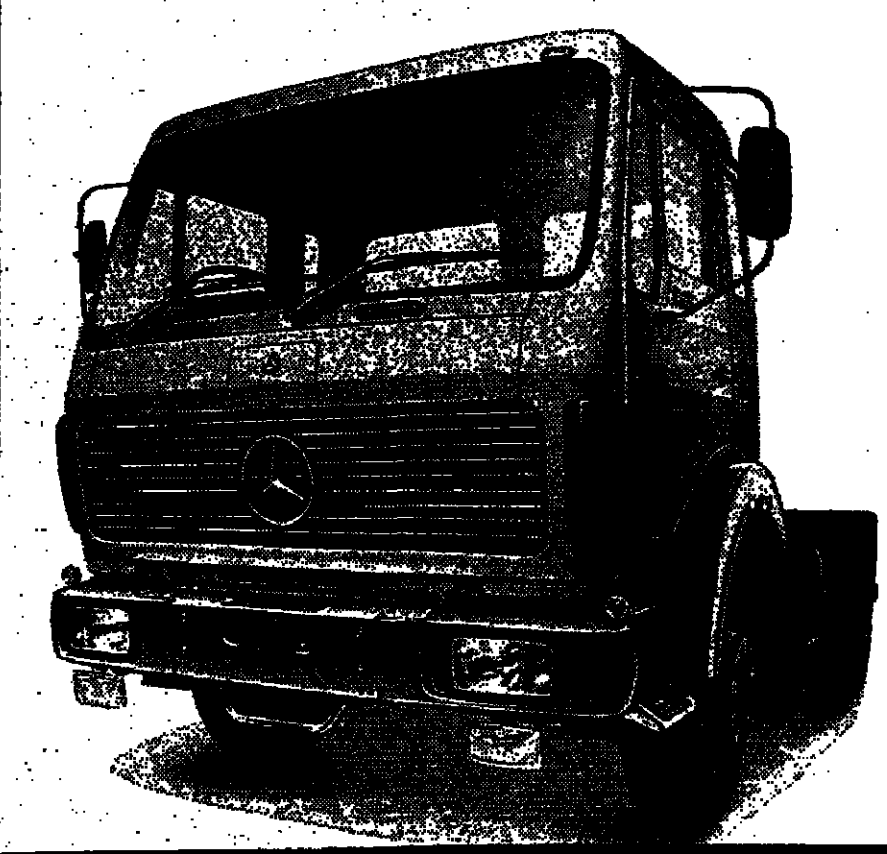
Hino has already shown it was willing to circumvent this, if possible, when it allowed its importer-assembler in Ireland to ship trucks to Britain. These trucks—so far only a few hundred have been sold—are not shipped directly from Japan and are therefore not covered by the terms of the gentlemen's agreement.

When output of the Hino-based range begins early in 1984, initial output will be one a day (roughly 225 a year) rising to two or three a day depending on how demand develops.

Last year KRF produced 1,785 trucks. In the first half of 1983 its output fell to 777 from 1,002 in the same period of 1982.

K. G.

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COMMERCIAL VEHICLES X

Advantages of three home markets

"WHEN THINGS are difficult, as they are in our industry today, countries get more protectionist, more nationalistic. It is useful to have three home markets where we can be seen as a national company," says Sig Giorgio Manina, managing director of Iveco.

The group emerged as Europe's second largest truck business when it was formed in 1975 through the merger of Fiat's commercial vehicle interests — already including Lancia and OM in Italy and Unic in France — with those of Magirus in Germany.

Sig Manina points out that Fiat received a substantial injection of vehicle engineering talent through the merger. "We got access to German employees who do not want to work in Italy for various reasons but who now work for us in Germany."

Fiat on its own would probably not have been able to reach the current Iveco scale of output, Sig Manina believes. "Although we would not have had the short-term problems, such as the losses in Germany and France, in the long term we would not have had the chance of being a significant company in those markets."

Both Iveco and Eaton need to replace their ageing ranges of transmissions — used largely in delivery vehicles and trucks of up to 16 tonnes gross weight. First prototypes of the jointly-developed transmissions, based on Eaton's current five and six-speed boxes, should be in working vehicles by 1985 and full production is scheduled for 1986.

Eaton will use its plant at Basingstoke in England to manufacture the transmissions and also one of its U.S. facilities. It will be the first time Eaton has offered a medium-duty transmission in the U.S.

Iveco will also make the transmissions at its existing gearbox facility at Brescia near Milan. Apart from major savings arising from the sharing of development costs, Iveco benefits from its access to Eaton's worldwide truck components sales network.

Eaton, like Rockwell, should gain from guaranteed volume from Iveco which should help keep down prices and make the transmissions more attractive to other vehicle producers.

Sig Manina points out that both the Rockwell and Eaton ventures fit in with the Iveco theory that the European truck industry will gradually move away from its traditional vertical structure, in which many of the major producers make most of their own components, to one where they would instead assemble high-technology components bought in from suppliers who would be able to cover the huge investment costs by producing in high volume.

He says that Iveco would prefer joint ventures rather than simply to buy in components because "if the industry is to be de-verticalised there will be a substantial market for components and we would like some of that action. We want to keep a finger in the development pie as well."

Sig Manina insists that Iveco would never depart from the vertical structure to the extent of giving up its development of its own engines — "the heart of the truck." With an output of about 250,000 diesel engines a year, Iveco has the volume to make the investment and development cost worthwhile.

Last year proved to be a very difficult one for Iveco. Sig Manina outlines the adverse factors:

● Nigeria, Libya and Algeria, which between them have been taking about 10,000 Iveco trucks a year, took practically none in 1982.

● A long-standing arrangement

with Saurer in Switzerland came to a sudden end when the Swiss group completed a tie-up with Daimler-Benz and Iveco had to set up its own import company there.

● There were also problems in Austria, Ireland and Holland and Iveco quickly had to set up as an importer in those countries.

● There was a reduction in employees from 50,800 to 43,400. The brunt of the shake-out was felt in West Germany where Iveco closed its bus manufacturing plant at Mainz with the loss of 1,400 jobs.

Sig Manina stresses that Iveco has no intention of quitting West Germany either as a manufacturer or as a marketing organisation and that the group has a major engineering base there.

According to the Fiat group's consolidated annual report, Iveco sold 103,860 vehicles last year (down 11.6 per cent on the 1981 total) but produced only

93,700 (down 17.4 per cent). Output was reduced to bring it into line with demand while cutting inventory levels.

In Italy 38,380 vehicles were sold (down 14.7 per cent) but Iveco's market share rose from 63.4 to 64.7 per cent of the over-three-tonnes sector.

In Germany 9,290 vehicles were sold—down 18.1 per cent—and Iveco's market share remained unchanged at 9.8 per cent of the over-2.6 tonnes sector.

In France, sales rose 28 per cent from 9,360 to 11,960 and Iveco's market share of the over-three-tonnes sector was up from 9.8 to 11.7 per cent.

Sales in other European countries showed a slight improvement, from 9,960 to 10,140. Exports to countries outside Europe fell by 14 per cent.

In the U.S. sales rose 5.1 per cent to 2,560 and in Latin America, in line with the general market trend, they dropped 50 per cent to 1,900.

Revenue last year showed a 6.7 per cent decrease to £4,973m (£3.13bn) while operating income was £363m (£518.8bn in 1981).

The French and Italian companies were profitable but the German business was hit not only by the downward trend of the market but also by the cost of shutting the Mainz plant.

Research and development expenditure last year was £1,500m and additionally Iveco invested £126.8m (£101.2bn).

Iveco made a number of false starts in the U.S.—obviously a prime target for any truck maker with the ambition to become a world force.

A deal for International Harvester to open up its U.S. dealer network to Iveco's medium-weight commercials fell through because of IH's financial problems.

The European group had already made a significant shift in policy in the U.S., moving the emphasis away from medium-heavy diesel trucks to

lighter-weight chassis cabs, again diesel-powered, to which American customers add their own bodywork.

Sig Manina says the cancellation of the IH arrangement put Iveco's U.S. plans back a little in terms of market coverage. "We lost some time we could have used to sign up dealers. But the American truck market has been so depressed we didn't lose much."

He adds: "Now the U.S. market has been picking up and now we have a lot of new people there and our house has been put in order and our network strengthened—and with the help of the lire-dollar relationship—we can make money in the U.S. this year."

Sig Manina says that once U.S. sales reach 5,000 and look like holding at that level Iveco will have to start assembling in the States. "The pipeline from Europe is too long for that kind of volume."

Kenneth Gooding



One of Seddon Atkinson's new 361 six-wheelers. Enasa could buy Seddon to gain immediate access to its 44 dealers.

Determined push from Spain into EEC countries

IVECO

Since the merger, Iveco has shown its willingness to inject itself with even more outside expertise through the joint venture projects it has set up.

The one which will show up in the market place first is with Rockwell of the U.S. The two have joined forces to make truck rear axles based on Rockwell's North American designs but suitably adapted and tested for European use and to be sold to any manufacturer which might be interested, not just Iveco.

A new company, Rockwell CVC-Omevi, was set up to acquire an existing Iveco plant in Cameri, Italy which was stripped and converted. Well over \$15m will have been spent by the time the plant comes into production shortly.

Rockwell will soon become the majority partner in the venture which in the long term looks for sales of 100,000 axles a year.

Early this year Iveco linked with another U.S. group, Eaton Corporation, for the design, manufacture and marketing of medium-duty truck trans-

missions.

THREE European truck companies have been hit by the backwash from the near-collapse of International Harvester, once North America's major heavy truck producer.

Apart from Daf, whose association with IH is dealt with elsewhere in this survey, Enasa, the Pegaso trucks and buses group of Spain, and Seddon Atkinson in the UK, have been profoundly affected.

There are signs, however, that, though deserted by IH, Enasa and Seddon might find solace in each other.

Enasa has been negotiating with IH to buy the British company which is 100 per cent-owned subsidiary.

Until May last year Enasa's future was bound up with that of IH, which had taken a majority shareholding and management control. There was also a plan to build a major diesel engine plant to produce IH engines in Spain.

However, the financial problems of the U.S. group led it to withdraw from the Enasa arrangement and also from its other truck operations outside North America—so Seddon was put up for sale.

Enasa has worked swiftly to put together an alternative strategy now that its ownership has reverted to INI, the state holding company. "The wind

has changed and we had to adjust our sails," says Sr Juan Llorens, Enasa's deputy managing director.

By 1983-84, when Spain joins the EEC, we want to have established a network of service points along all the main TIR routes in Europe. We must support those customers who buy our heavy trucks in Spain and use them for international haulage."

Enasa has signed up more than 30 dealers for the new service network and the next step will be to set up its own import companies in key European markets.

"We have given this top priority and allocated thousands of millions of pesetas for it," Sr Llorens maintains.

Analysts in Spain suggest the budget could run to Ptas 5bn (£32.5m).

Initial emphasis is being put on strengthening the group's position in France and the Benelux countries because of their proximity to Spain.

Enasa's existing French subsidiary is being refinanced and moved to a new prestige building in Paris. The company is waiting for formal INI approval to set up a subsidiary in Belgium.

An importer has been lined up for Switzerland while

Austria, Italy and Ireland are on the list of countries in which Enasa will be represented before long.

Sr Llorens points out that the company has two alternatives for Britain. It can either follow the Continental pattern and establish its own import company or it could buy Seddon to gain immediate access to Seddon's 44 dealers.

In the longer term the next generation of Pegaso and Seddon trucks could be jointly developed, perhaps with some imports from IH in the States.



Enasa is the only company currently discussing seriously with IH the purchase of Seddon and the outcome mainly depends on Enasa's parent, INI, which is expected to give a decision before the end of this year.

Sr Llorens said Enasa realised there was some urgency. "We think it is very important from Seddon's point of view that the uncertainties be cleared up quickly. Seddon is a good company with good products and loyal customers. But we think

it would be in a much better position if the questions about its future were removed."

IH acquired Seddon for £10m in 1974 but said recently that, following three years of losses and a major rationalisation programme—which included reducing the workforce from 1,836 to 862 and giving up the manufacture of some components—Seddon's net worth had fallen below £4.5m.

Sr Llorens said that, if Enasa took control: "We would have to inject more money to bring Seddon back to complete health. We would help it recover quickly."

Seddon would retain its British identity and there would be no question, for example, of Enasa sending components from Spain for the current range of Seddon vehicles, he added.

Seddon produced 1,820 heavy trucks last year but in the first half of 1983 its production slipped back to 610 compared with 900 in the first six months of 1982, reflecting to some extent the uncertainty generated by IH's decision to withdraw—which, as Sr Llorens suggests, cannot have helped Seddon at a time when the British heavy truck market has been so severely competitive.

Enasa expects to produce about 15,000 vehicles this year, including 3,600 panel vans and 700 agricultural tractors (the bus market, Enasa's vehicle output was 9,000 in 1981 and moved up to 12,000 last year).

The group's huge losses have been steadily reducing, from Ptas 14bn in 1980 to Ptas 11.5bn in 1981 and Ptas 8.5bn last year.

On a turnover forecast at Ptas 85bn this year Enasa predicts its loss could be down to Ptas 2.4bn after extraordinary items without which there would be a profit in the region of Ptas 2.5bn.

The extraordinary items will cover the cost of reducing the workforce from 12,600 to 10,500. The most important factor in Enasa's recovery has been a contract to supply 11,500 all-wheel-drive trucks and some buses to the Egyptian Army to replace ageing Russian military equipment. This contract, possibly the largest ever awarded for vehicles, is worth more than \$1bn over the three years 1981-84.

That deal has given Enasa vital breathing space to get itself into shape to prevent the steady erosion of its domestic market share by the other major European truck groups, who now regard sales in Spain as an important part of their strategies.

Annual sales averaged around 60 in Europe, excluding Spain and this should improve to 400 if all goes to plan in the medium term.

Pegaso products are not well known in Europe outside Spain because traditionally Enasa has concentrated its export efforts in South and Central America and Africa. Recent orders include 7,000 buses for Chile and 5,000 for Cuba.

In Spain Enasa accounts for

about half of total truck sales and it has 93 per cent of the bus market. Enasa's vehicle output was 9,000 in 1981 and moved up to 12,000 last year.

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K.G.

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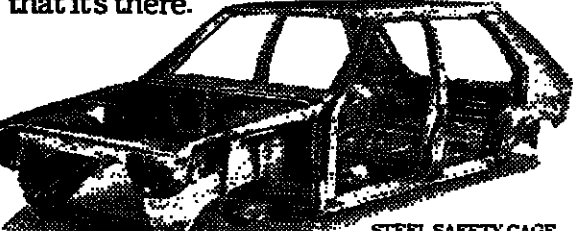
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COMMERCIAL VEHICLES XI

U.S. purchase extends world network

VOLVO'S \$75m purchase of the bankrupt White Trucks business in the U.S. a deal which gave it a base from which to tackle the North American market in a much more serious way, seems to be paying off.

Volvo White Truck Corporation, as the U.S. offshoot is known, recently announced that it was to step up output at its plant in New River Valley, Virginia, where about 600 are employed, from 20 to 26 units a day.

According to Mr Thage Berggren, Volvo White president, the increase springs from improved market conditions coupled with the company's own emphasis on product development.

"For the past two years we've invested heavily in product development and now we're beginning to pay off," he said. Those product developments have involved both the White and Autocar trucks, names Volvo acquired along with other White assets as well as Volvo vehicles which were put into production at New River Valley in September last year. Apart from the increase in output at New River Valley, production at the Autocar plant in Ogden, Utah, was also recently stepped up by 30 per cent. The totals are still relatively

small, however. Last year Volvo White produced 3,500 trucks whereas capacity is around 12,000. And the company operated at a loss in 1982 and the first half of this year. However, the investment was a long-term one for Volvo.

Volvo is dedicated to the idea that if a heavy truck is to work properly, the producer should manufacture all the key elements—engine, transmission, axles and frame—so that they can be perfectly matched. But it has not been attempting to persuade American hauliers to change from ordering custom-built Autocar or White trucks in the U.S. customers usually specify the key components from the outside suppliers they prefer and they have the truck assembler put them together into a decent package.

But now the Volvo-trucks are on sale in the U.S. the company hopes eventually it can win over more Americans to the idea of buying trucks in which

the main components are matched by the producer rather than chosen by the customer.

Volvo's total truck production reached 34,600 last year, up from 25,500 in 1981. Of last year's total 14,100 were produced in Sweden (12,600)

VOLVO

10,800 in Belgium (8,500) 1,300 in the UK (800) and a further 4,500 were split between Brazil, Australia and Peru on top of the U.S. output.

Volvo was one of the few truck makers in the world to be able to show a good profit in 1982. Its net income rose from SKr 730m (\$93.5m) to SKr 815m on sales up from SKr 8,250m to SKr 10,850m.

Apart from the deficit in the U.S., Volvo trucks also had to absorb losses in Brazil and Peru "where demand was sharply lower."

The British subsidiary, which operates an assembly plant at Irvine in Scotland as well as acting as an importer and distributor through six wholly-owned outlets, moved back into the black in 1982.

It produced a pre-tax profit of £3.39m on sales of £116m last year compared with a £1.37m loss on sales of £85.4m in 1981. As a result, the British company was able to pay the parent a £1.75m dividend.

At the end of last year the company decided to spend a further £340,000 at Irvine to provide additional facilities for the production of a new double-deck bus chassis, called Citybus.

Western Europe is Volvo's most important sales area and last year the group's share of the market for trucks over 16 tonnes gross moved up by another percentage point to 15 per cent. Volvo also increased its share in the market for medium trucks (five to 16 tonnes), to nearly 6 per cent. France last year retained its

top ranking among Volvo's truck markets with sales of 3,500 units (3,400 in 1981) while the UK was second with 3,430 (2,540).

The group's domestic market, Sweden, was in third place with sales of 2,280 units (2,650). In Sweden, Volvo's share of the over-16 tonnes sector was 48 per cent while the share of the five-16 tonnes class remained unchanged at 50 per cent.

Sales in other countries included: the Netherlands 1,290 (1,200), Finland 1,120 (1,300), Norway 1,040 (1,130), Portugal 990 (900), Denmark 910 (830), Belgium 890 (810), and Brazil 770 (460).

The Middle East as a whole remained a very important market area for Volvo and last year the group sold 8,000 (5,600) trucks there—equivalent to half the number of deliveries to Western Europe.

Of the Volvo group's total income of SKr 2,445m, the truck business accounted for 34 per cent compared with SKr 1,785m or 73 per cent from the car operations. (There were losses in the company's energy sector and other interests which is why the car and truck businesses accounted for 106 per cent of total income.)

K.G.

Independence maintained

"WE OFTEN hear sceptical comments by people who say Daf will not be able to stay independent much longer. Apart from the fact that such comments have been bandied about since 1948, I would say we are a human-sized organisation."

"The principal feature of this is that we are able to think and act flexibly. Furthermore, we have our costs well under control so that we are able to stay on course in stormy periods. We are aware that a company of our size cannot afford to make any mistakes."

So says Mr Aart van der Padt who took over last year as chairman of Daf following the untimely death, at the age of only 47, of Mr Piet van Doorne, a man whose personality brought a very distinctive touch to the company's operations.

That flexibility of thought was well to the fore when Daf dreamed up a "Dutch" solution to the potential problems which might have arisen over International Harvester's 37.5 per cent shareholding.

It, the U.S. group, acquired the bulk of its stake in Daf in 1975 when the Dutch concern ran into financial problems. The original intention, after IH had injected new capital, was for the two groups to co-operate in research and development work and for IH to sell some Daf products in North America.

Hardly any progress was made with these objectives and matters were made worse by personality clashes between senior executives of the two companies.

Ironically it was "big brother" IH which eventually ran into extreme money troubles. The U.S. group had to restructure so as to retain the support of its bankers on whom its survival depended. IH decided to withdraw from all its truck operations in Europe and that meant among other things, it wanted to sell its stake in Daf.

In June this year two-thirds of the IH shareholding was bought by the GDD consortium and the rest by a trust which is pledged to vote "in accordance with the consortium's instructions."

Mr van der Padt maintains: "This was only one of the important steps we are taking to secure our independence."

An unusual feature of the deal was that Daf itself is part of the consortium. In effect, the company bought its own shares, with the approval of its bankers.

Members of the GDD con-

sortium are: VADO, the trust owned by the van Doorne family (brothers Hub and Wim van Doorne founded Daf in 1928) which has 12 per cent; the state-owned Dutch State Mines (8 per cent); Netherlands Investment Bank (48.34 per cent) and Daf Trucks (51.66 per cent).

In effect the switch of the shares to the consortium increases the Dutch Government involvement in Daf. The Dutch State Mines already had a 25 per cent stake. The van Doorne family trust, VADO, has 37.5 per cent on its own account.

Daf sold its car business to Volvo of Sweden some years ago and restricts its activities mainly to truck and coach manufacture. As a result it is a comparatively small business in motor industry terms.

DAF

In 1982 it made a net profit of Fls 1.84m (roughly £425,000) on sales of Fls 1.63bn (about £378m) compared with a profit of Fls 1.22m (£283,000) on a Fls 1.56bn (£361.5m) turnover the previous year.

Daf built 13,533 trucks in 1982 of which 1,254 were under 14.5 tonnes gross and 10,303 over that weight. The remaining 1,976 were buses or military vehicles. Nearly 60 per cent of production was exported and Daf's European market share improved from 6 to 6.8 per cent, representing a 14 per cent volume increase on 1981.

The company increased its European market share again slightly in the first half of this year but, as Mr van der Padt points out: "We believe it will be years before the 1979 level of truck demand is reached again. This is why we have reduced our capacity by 10 per cent to 13,500 units. There were no compulsory redundancies."

In the past five years Daf's investment bill has totalled over Fls 300m representing more than 4 per cent of net sales in those years. In 1982, for example, investment was Fls 55m or 3.3 per cent of turnover.

Nearly all the investment was financed from the company's own resources. Mr van der Padt points out: "We are in the third year of a bad recession. But we have protected

our cash flow and stayed out of the red."

The company will certainly have a new range of engines when they are required, whether or not a co-operative deal can be done—Daf would not consider buying them in.

In the next five or six years Daf will spend over Fls 600m on the development of a completely new range of products and the application of new production techniques at its factories in the Netherlands and Belgium. Renewal of its product range will be completed towards the end of the 1980s.

Dutch banks will supply some of the cash required while the Dutch Government has also indicated that Daf should qualify for State cash under the terms of its contract to encourage innovation in industry. Mr van der Padt is circumspect about the amount of State cash likely to be available, but Dutch sources suggest it will be about Fls 140m.

Mr van der Padt says the company is still seeking co-operative deals on a wide range of key components such as engines, cabs, axles, transmissions in order to gain the advantages of economies of scale available to some of Daf's bigger rivals.

Potential partners do not necessarily have to be Dutch or in the vehicle manufacturing industry but Mr van der Padt admits that the preservation of jobs in Holland would be a major factor.

Daf's existing co-operative deals include one with RABA of Hungary, to which Daf supplies cabs and chassis frames, and within the framework of the "Club of Four," which was formed for the purpose of joint development of a range of light trucks by Volvo, Renault, Vehicules Industriel, Magirus and Daf.

Daf's special products division is co-operating with the American landing gear manufacturer Menasco and the Italian helicopter maker Agusta, while in the course of 1984 it will begin production of armoured personnel carriers for the Dutch army in co-operation with the FMC group of industries of the U.S.

On its own account, Daf has been plugging the gaps in its European network by recently opening its own subsidiaries in Norway, Sweden and Spain. The company now has 11 sales and service subsidiaries in Europe, covering nearly every country of any importance, and about 550 dealers.

K.G.

Heavy truck division fights off recession

COMPARED with the exciting cars and airplanes produced by Saab-Scania, its trucks could be considered mundane. But during the 1970s, Sweden's seventh-largest company owed its financial survival to the trucks business.

Year after year trucks generated 80 per cent of group profits. In 1982, however, the truck market—it reckons to account for 5 per cent of world production of trucks over 16 tonnes gross weight (excluding the Eastern bloc)—that it could not possibly escape some adverse impact during the current crisis in the heavy truck business.

The biggest single market of the past two years, Iraq, larger even than the home market, has collapsed from sales of 3,900 units in 1981 to barely a few hundred this year.

Scania has at least been able to improve its share of the sinking markets in Western Europe and South America, however, and its truck profits have not declined as sharply as the fall in production. Last year, truck output slumped to 20,900 units, a 16 per

cent increase in turnover to SKr 18.7bn.

Of the total turnover last year, trucks and buses accounted for SKr 7.7bn (41 per cent), cars for SKr 5.5bn (31 per cent) and aerospace SKr 1.7bn (9 per cent).

Scania's share of its domestic heavy truck market last year compared with 27,700 in 1980 and 25,300 in 1981.

Concentrating on trucks of 16 tonnes and over, Scania accounts for 15 per cent of total world exports for heavy trucks, ranking only behind Daimler-Benz and Volvo.

Its commercial vehicle manufacturing operations in Argentina and Brazil—it held 52.8 per cent of Argentina's heavy truck market and 46.1 per cent in Brazil—have suffered serious setbacks because of the turmoil in those countries' economies.

But Scania is still seeking to expand its assembly operations in the developing countries. For example, last year its assembly facility in Tanzania came on stream. Based at Kibaha, 35 kilometres from Dar es Salaam, the plant is majority-owned by the local Government via the State Motor Corporation. In 1982 nearly 350 Scania vehicles were assembled, including P80 and P112 trucks and some bus chassis.

Scania's top ten truck mar-

kets, measured by invoiced sales, last year were: Iraq 2,396; Brazil 2,137; Sweden 1,719; France 1,552; UK 1,481; Italy 1,040; Netherlands 894; West Germany 808; Finland 789; and Turkey 718.

Major markets for Scania buses in 1982 (invoiced sales again) were: Sweden, 396; other European countries, 130; South America, 1,060; Asia, 874; and Africa and others 157.

Scania used its experience with city buses in Europe to tackle the U.S. market where it has had several cities testing them.

The group is setting up a plant at Orange, Connecticut, which, when expanded to full capacity, will represent a \$7m investment.

In the first stage the facility will produce 250 buses a year and employ 250 people.

The first deliveries of buses is scheduled for the second part of next year and equipment is already being moved into the plant.

The bus type to be produced is the Scania 112. This has an engine mounted in a sound-insulated compartment at the extreme rear of the bus. The external sound level emitted is therefore a low 71 decibels, another factor which helped win the U.S. orders.

The bus business will help

Scania's name become known in the States because the company is still searching for a method of getting its trucks into the U.S.

Trucks have been tested there with good results for some years but Scania has been deterred from making any move because of the extremely high cost of maintaining a service network in the U.S.

The ideal answer would be for the Swedish group to find a local partner for truck production in the U.S. But, now that Renault Vehicules Industriels (RVI) has control of Mack, Volvo owns White Trucks, Daimler-Benz has bought Freightliner—and because of the financial ill-health of International Harvester—the choice of partners is limited.

At home, during 1982 Scania carried out substantial capital expenditure projects—totalling SKr 160m—the largest investment being for a new assembly plant for gearboxes and transmissions at the main plant in Sweden, Sodertälje. The assembly plant at Dule and cab production at Meppel, both in the Netherlands, were also expanded.

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COMMERCIAL VEHICLES XII

Moving towards the 'world truck'

"I THINK we could build a single design of a truck which would be suitable for most markets of the world—with a few modest changes to its specification. We could source it in the lowest-cost countries," says Mr Edson Williams, Ford vice president and general manager of that group's truck operations.

He adds that since 1978 Ford has begun to visualise a "world truck market." And "we have begun to see that, in fact, world class, world cost, world quality plus a specification you can sell around the world is where the future lies."

Mr Williams believes the process—the move towards "world trucks"—will start at the bottom end of the weight range and work gradually up to the heavyweights.

"The process is well under way within Ford," he suggests, and points out that the group has already announced a "world diesel engine" will go into production in Brazil. This will be a six-cylinder, indirect injection "state-of-the-art" power unit in the 130 to 230 hp range.

Cautious

Mr Williams is very cautious and circumspect about giving any more information about Ford's world truck programme.

So it is not clear whether the truck Ford intends to launch from Brazil in 1986 is part of the "world" project. Industry rumours suggest the truck—specifically aimed at the developing countries—is based heavily on the European Cargo but with input from the U.S.

The launch of the Cargo in March 1981 established that Ford is out to win a much larger share of the European markets for medium and heavy trucks. Ford's commercial vehicle sales leadership in Europe is based on its performance in the light car-derived van market and with the Transit panel van.

Ford reckons it will spend about £1bn on trucks over the next four or five years out of its worldwide total of around £4bn. About 80 per cent of the £1bn will be spent in Britain.

This is because, although the group also has truck plants in Australia and Brazil, the two big design centres are in the U.S. and Britain. Therefore the "world trucks" will result from "an amalgamation of our efforts on both sides of the Atlantic," according to Mr Williams.

And, while Ford has a strong position in the truck markets of the U.S. and Latin America, in Continental Europe it has not

made much of an impact except with the Transit. So, says Mr Williams, one major objective for the world truck programme will be to put this right.

As for the Asia-Pacific area, the Ford networks in that region take light commercials from Toyo Kogyo (but badged as Fords). Ford has a 25 per cent shareholding in TK.

Mr Williams knows the area well, having been for 34 years president of Ford Asia-Pacific before moving back to the Dearborn headquarters to head the worldwide truck operations. He says: "In Asia-Pacific if you have a product common to the rest of the world and all you are doing is shipping and assembling, then you can match the competition."

Mr Williams says: "We think the assets that Ford has in place in the U.S., Latin America, Europe and Asia-Pacific will be of enormous benefit when we are pulling together our world strategy. We feel that (truck) builders without that set of assets are at some risk."

The companies which fit Ford's criteria for future success, therefore, include Daimler-Benz and Volvo which also have production bases in the U.S., Latin America and Europe.

Scania, too, can get economies of scale by switching key components around between plants in Latin America and Europe. Renault's commercial vehicle divisions, RVL, also has "two legs straddling the Atlantic" following its acquisition of Mack Trucks in the U.S.

RVL for some time has been drawing on the help of Mack engineers for the design of all new heavy truck components—engines, gearboxes, axles and so on—it is developing for the late 1980s. Mack differs from most U.S. truck producers in that more than half the vehicles it sells contain its own key components.

RVL's interests are well spread in Europe. It has production bases in Spain and the UK as well as France and when its heavy truck output of around 40,000 in a normal year is added to that of Mack's—20,000—there is great potential for economies of scale. Together the two companies have a heavy truck output close to that of Daimler-Benz, the world leader in terms of units produced.

Ford's major rival, General Motors, is also on the world truck trail—and has been since September 1979. Since the early days, however, the scope of the project has been

broadened so that all commercial vehicles, from car-derived vans to the heaviest off-road trucks are included, along with buses and GM's diesel engine interests.

The reasons behind the project were similar to those which sent GM, the world's largest motor group, searching for a "world car."

First, commercial vehicle markets are likely to show considerable growth but much of the growth will be in markets outside North America where it currently makes most of its sales.

Then, because of oil price increases, the Americans are being forced to produce commercial vehicles much more like those in Europe.

In the medium-weight part of the market, in particular trucks will be lighter than those the Americans are used to and increasingly powered by diesel engines.

Legislation on such things as safety and pollution is also driving designers around the world towards similar solutions which tend to result in the end product having similar characteristics.

And, perhaps most important of all, it makes sense to share the cost of developing and producing relatively low-volume but high-cost components between several companies at a time when the motor industry is lamentably short of cash.

Shareholding

GM began by taking a look at GMC in the U.S., Bedford in Britain and GM do Brazil—all its own companies—and Isuzu in Japan in which it has a 34 per cent shareholding.

It found, for example, that they were all making medium-weight trucks for basically the same applications in roughly the same gross weight ranges. Yet not one part was interchangeable.

All the companies had gone their own way without even considering the fact that a chat with another GM company might have been beneficial.

In fact, there were no lines of communication between them, no structure within the sprawling GM organisation to encourage consultation.

That has now been put right. GM's "worldwide truck and bus group" acts as a separate division from a new headquarters in Pontiac, Michigan under the control of a senior vice president, Mr Don Atwood. It is the fourth-largest division

within GM with over 28,000 employees.

Mr Atwood says that GM cannot share product planning, engineering and the production of components common to vehicles to be sold across the world at the end of the 1980s. But the vehicles will be individually tailored to suit individual markets.

Commonality could come in engines, transmissions, clutches, and axles for trucks and, possibly, even frames and cabs.

The way this might work can be judged by what GM has in mind for Bedford in Britain. Instead of manufacturing nearly all the components for its trucks, Bedford, when the world truck production pro-

gramme gets under way, would make one or two on a large scale for its own use and for distribution to other GM companies. In turn they would be producing components on a large scale, some of them for Bedford.

Isuzu and Suzuki of Japan in which GM holds a 5 per cent stake, will also be involved as suppliers and customers for commercial vehicle parts.

Other truck groups argue that this complex system is not necessary for survival and that the better, and more obvious, solution to the problem of getting maximum economies of scale is to buy from the independent axle and transmission producers.

Most medium-sized truck companies intend to keep engine engineering and production capability because they see the engine as "the heart of the truck." But smaller concerns say they can buy in all the key components and still package them in a distinctive way.

Iveco, the Fiat subsidiary and second-largest truck producer in Europe, has settled for a system where it makes its own engines but has joint deals for some axles and transmissions with Rockwell and Eaton respectively—so as to keep some, limited, interest in the production of these items.

Kenneth Gooding



This special rig has been used by Volvo to establish optimum positions for controls, seating and adjustment settings so that all drivers can be accommodated.

Continuous improvements in cab design

Americans' extensive use of producer to push forward design concepts. As well as manufacturing complete cabs for Leyland, Seddon-Atkinson Trucks, Motor Panels undertakes major cab development work for truck manufacturing projects in Eastern Europe and Third World countries.

Concept cabs shown by the Coventry company in recent years include the Hemitech design—embodying a host of advanced features which most of today's truck users would describe as futuristic. The Hemitech cab has the outer dimensions of a typical day (non-sleeper) cab, but its space-saving seats are "upholstered" in open-weave material to allow hammock-like stowage, permitting lightweight bunks to be folded down to provide sleeper accommodation. A retractable front bumper and an elevating roof are further features aimed at dimensional acceptability.

British manufacturers, including Motor Panels, have pioneered the use of alternative cab-shell materials. As well as steel and aluminium, numerous moulded plastics are now available, combining strength with lightweight, complete corrosion resistance and fire retardant qualities.

The simple cold-setting glass-reinforced plastics (GRP) mouldings have been augmented by more resilient materials, with improved surface finish and better deformability characteristics under impact.

One of these is SMC (standing for sheet moulding compound), used by ERF for the complete outer shell of its C and M-series trucks. Similar material is employed for the front quarter panels and grills of Seddon-Atkinson's latest 01-series truck cabs.

Tooling costs for all-steel cabs are a formidable obstacle to any company embarking on a new truck programme. The tendency is for individual pressings and indeed complete cab shells to be rationalised across one or more chassis ranges.

The Swedish company Scania recently replaced its three former cabs (two forward-control, one bonneted) with one rationalised cab "system." The upper part of the new cab, incorporating the doors, windscreen, floor pan and dashboard is common to all four assembled versions.

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Pressings

Variations in the lower structure cater for three different heights of forward-control cab, suiting three diesel engine sizes.

In Britain, Seddon-Atkinson pursued a similar three-height cab design programme several years ahead of the Swedes, albeit using simpler pressings. From Motor Panels' Seddon 201 chassis take the lowest version for 16 tonne gross weight applications; the 301 family of light articulated tractor and multi-axle rigid chassis are equipped with the company's middle-height cab, enclosing the popular new Cummins 10-litre diesel engine. The full-height Seddon cab appears on premium 401

models where the big Cummins and Gardner 14-litre or Rolls-Royce 12-litre engines are specified. Every forward-control commercial vehicle sold in Britain today with a gross weight of 7.5 tonnes and above has a tilt cab—except Bedford's 23-year-old TK range. Tilting affords complete access to the engine and its auxiliaries and it avoids the need for noise—and fume—admitting panels in the seat pan/engine cover.

Tilting procedure has been simplified by most manufacturers. Hydraulic lifting rams have taken the place of counter-balance springs in most cases, the first few strokes of the hand-pump automatically releasing the cab hold-down safety latches.

A good deal of work has been done to make instrument panels more "readable" to the driver, while at the same time providing more comprehensive information on the vehicle's running efficiency. Batteries of indicator lamps are backed by audible warning devices for any fault likely to jeopardise vehicle safety—loss of brakes, air pressure for instance.

The parking brake control, equivalent to a car hand-brake is now essentially a small air valve which can be mounted in almost any position. Leyland, Mercedes and now ERF build the control neatly into the dashboard, looking simply like a big on-off "switch."

Alan Bunting

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